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SEC Registration Number

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(Company's Full Name)

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(Business Address: No. Street City/Town/Province)

Leo D. Venezuela
Director of Investor Relations
(Contact Person)

241-4101 loc 2391
(Company Telephone Number)

1	2
Month	Day
(Fiscal Year)	

S	E	C	17	A
(Form Type)				

Any Day in June	
Month	Day
(Annual Meeting)	

N/A
(Secondary License Type, If Applicable)

Dept. Requiring this Doc.

N/A
Amended Articles Number/Section

77
Total No. of Stockholders

Total Amount of Borrowings	
PHP17.891B	N/A
Domestic	Foreign

To be accomplished by SEC Personnel concerned

File Number									

LCU

Document ID									

Cashier

STAMPS

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE SECURITIES REGULATION CODE AND SECTION 141
OF THE CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended **31 December 2013**
2. SEC Identification Number **A1999-04864** 3. BIR Tax Identification No. **204-636-102-00**
4. Exact name of issuer as specified in its charter **BLOOMBERRY RESORTS CORPORATION**
5. **Philippines**
Province, Country or other jurisdiction of
incorporation or organization
6. (SEC Use Only)
Industry Classification Code:
7. **Unit 601 6th Floor Ecoplaza Bldg. Chino Roces Avenue Ext. Makati City** **2222**
Address of principal office Postal
Code
8. **(02) 501-3898**
Issuer's telephone number, including area code
9. **Active Alliance, Incorporated, Bldg. 1428 POL Pier Compound Argonaut Highway,
Subic Bay Freeport Zone**
Former name, former address, and former fiscal year, if changed since last report.

10. Securities registered pursuant to Sections 8 and 12 of the SRC, or Sec. 4 and 8 of the RSA

Title of Each Class	Number of Shares of Common Stock Outstanding
Common Stock, P1.00 par value	10,589,800,556 Shares

11. Are any or all of these securities listed on a Stock Exchange.

Yes [x] No []

If yes, state the name of such stock exchange and the classes of securities listed therein:

Philippine Stock Exchange

Common Stock

12. Check whether the issuer:

(a) has filed all reports required to be filed by Section 17 of the SRC and [SRC Rule 17.1](#) thereunder or Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of The Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports);

Yes [x] No []

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes ☒ No ☐

13. The aggregate market value of the voting stock held by non-affiliates of the registrant as of February 28, 2014 are follows:

(a) Total number of shares held by non-affiliates as of February 28, 2014 is 2,978,593,340 shares.

(b) Closing price of the Registrant's share on the exchange as of February 28, 2014 is ₱9.08

(c) Aggregate market price of (a) as of February 28, 2014 is ₱27.0 billion.

SEC FORM 17-A

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PART I - BUSINESS AND GENERAL INFORMATION

Item 1. Business

1.1 Business Development

Bloomberry Resorts Corporation (formerly Active Alliance, Incorporated), referred to as “Bloomberry” or Parent Company, is incorporated in the Philippines and was registered with the Securities and Exchange Commission (SEC) on May 3, 1999. Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) until 2003. Effective December 14, 2009, the lease agreement between Bloomberry and Subic Bay Metropolitan Authority was mutually rescinded.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

As of December 31, 2011, the Company was a majority-owned subsidiary of Wespac Holdings Incorporated (WHI). On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI) acquired 60,000,000 shares of Bloomberry, constituting 75% of the outstanding capital stock, from WHI and other stockholders through a cross sale transaction in the PSE.

On February 6, 2012, PMHI sold 100% of its ownership interest in Sureste Properties, Inc. (Sureste), to Bloomberry for ₱5.9 billion. As of December 31, 2013, Bloomberry’s subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels, Inc. (BRHI) (collectively referred to as “the Group”) (see Note 2).

On February 27, 2012, the SEC approved the increase in the authorized capital stock of the Company to ₱15 billion pesos divided into 15 billion shares and the following amendments in its articles of incorporation, among others: change in the corporate name to Bloomberry Resorts Corporation; change in the primary purpose to that of a holding company; and change in the Company’s registered office address to Unit 601, 6/F Ecoplaza Building, Chino Roces Avenue Extension, Makati City.

In view of the increase in the authorized capital stock, PMHI subscribed to additional 7,265,656,500 shares of Bloomberry.

In May 2012, Bloomberry and its parent company, PMHI, completed a Placing and Subscription Transaction under which PMHI first sold in a private placement to various institutional investors 1,179,963,700 shares of stock in Bloomberry at ₱7.50 per share. The transaction was crossed through the Philippine Stock Exchange on May 5, 2012. PMHI then used the proceeds of the placing transaction to subscribe to an equivalent number of shares in Bloomberry at the same subscription price of ₱7.50 per share.

On May 28, 2012, CLSA Limited as the stabilizing agent exercised the over-allotment option to purchase 117,996,300 shares of stock in Bloomberry from PMHI at the same purchase price of ₱7.50 per share. The net proceeds of this exercise was used by PMHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱7.50 per share.

A total of 1,297,960,000 new shares were subscribed by PMHI as a result of the foregoing Placing and Subscription Transaction, including the exercise of the over-allotment option by the stabilizing agent. These shares were listed in the Philippine Stock Exchange on December 7, 2012. On December 18, 2012, PMHI purchased an additional 3,000,000 Bloomberry shares from the market. PMHI now directly owns 60.51% and indirectly owns 8.7% (through Quasar Holdings Inc.) equity stake in Bloomberry.

On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with Global Gaming Philippines, LLC (GGAM) for the technical assistance on all aspects of planning, design, layout, and construction of the Project and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project's commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the pre-opening operations. Upon commencement of the commercial operations and five years thereafter (after which the contract expires unless GGAM extends it for another 5 years), the Group will pay GGAM annual fees equivalent to certain percentages of Sureste's and BRHI's EBITDA.

The Group terminated the MSA effective September 12, 2013 because of a material breach of the MSA by GGAM after prior notice and failure of discussions to settle the dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM has sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. BRHI and Sureste have submitted their response to the notice of arbitration. The parties are awaiting the constitution of a 3 member arbitral tribunal which will resolve the dispute in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921,184,056 shares, equivalent to 9.91% of Bloomberg's outstanding shares (prior to Bloomberg's top-up equity offering) from PMHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. On December 21, 2012, GGAM exercised its option to purchase 921,184,056 shares in Bloomberg from PMHI at the agreed option strike price of ₱1.67 per share and was crossed through the Philippine Stock Exchange on December 28, 2012. As a result of the exercise of this option, GGAM now owns 8.7% of the outstanding capital stock of Bloomberg. On February 25, 2014, the Makati Regional Trial Court granted the Group's application for measures of protection for the Bloomberg shares in the form of writ of preliminary attachment and writ of preliminary injunction to restrain GGAM from disposing the Bloomberg shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberg shares.

The Company has been establishing marketing offices in the Asian region and Australia. Currently, the Company has marketing presence in China, Macau, Hong Kong, Singapore, Malaysia, Indonesia, Thailand and Taiwan.

Bloomberg is exploring possible projects both in and outside the Philippines.

1.2 Business of Issuer

Overview

The Company was engaged in the manufacture of printed circuit board up to 2003. It ceased commercial operations in December 2003 up to 2011. On February 27, 2012, the SEC approved the change in its primary purpose to that of a holding company and it now has Sureste and BRHI as its subsidiaries.

Sureste Properties, Inc.

Sureste was incorporated in 1993 as a property holding company. On July 2, 2010, Sureste amended its primary purpose to develop and operate tourist facilities including hotel - casino entertainment complexes. Sureste is registered with the Philippine Economic Zone Authority ("PEZA") as developer of a hotel project in a PEZA Tourism Economic Zone. As a result, Sureste enjoys certain incentives granted by the Government in relation to the hotel component of Solaire Resorts & Casino, including reduced tax rates. In 2011, in compliance with the requirements of

PEZA, Sureste divested itself of all its non-hotel assets including its ownership in Monte Oro Resources and Energy Inc. ("MOREI") and various prime real estate properties. Sureste acquired all the shares of BRHI on January 12, 2011.

Bloomberry Resorts and Hotels Inc.

On February 27, 2008, BRHI was incorporated as Bloombury Investments Holdings Inc. ("BIHI") for the purpose of developing and operating tourist facilities, including casino-entertainment complexes with casino, hotel, retail and amusement areas and themed development components. On April 8, 2009, BRHI was granted a Provisional License by PAGCOR to establish and operate integrated casino, hotel and entertainment complex at the Entertainment City Manila in Paranaque City. On September 21, 2010, the SEC approved the change of BIHI's name to BRHI.

Bloom Capital B.V.

In 2013, the Bloomberry subscribed to 60% of the common stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013.

Solaire Resort & Casino

Solaire Resort & Casino ("Solaire"), is the first Philippine premium/luxury hotel and gaming resort in Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

On March 16, 2013, the Group commenced commercial operations, upon completion of Phase 1 of Solaire, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire's hotel, food and beverage outlets.

Phase 1 of Solaire consists of a casino with an aggregate gaming floor area of approximately 18,500 square meters (including approximately 6,000 square meters of exclusive VIP gaming areas), with approximately 1,400 slot machines, 295 gaming tables and 88 electronic table games. Phase 1 has 488 hotel rooms, suites and bayside villas, and 15 specialty restaurants and F&B outlets including (the number of seats are approximations): 240-seat Chinese restaurant, 150-seat American steakhouse, 150-seat Japanese restaurant, 120-seat Italian restaurant, 250-seat international buffet/coffee shop, 176-seat noodle shop, 150-seat live entertainment lounge and 220-seat food court and 20 seat lobby bar, and a 50-seat lounge area. It has a multilevel parking building with approximately 1,500 parking slots, a grand ballroom with approximately 1,000 seats, spa and fitness center, and bayview promenade.

Phase 1A of Solaire is currently under construction and is scheduled to be completed in the 4th quarter of 2014. Phase 1A is expected to provide additional 220 slot machines and 65 VIP gaming tables. In addition, it will include a 312-room all-suite boutique hotel tower and other non-gaming amenities such as more food and beverage offerings, retail promenade, 1,700-seat performance theatre, nightclub, KTV, whisky bar, spa, gym, salon as well as parking facilities with approximately 3,800 parking spaces.

Competition

As an integrated gaming resort designed, planned and developed according to world-class industry standards, Solaire competes with integrated tourism resorts and casinos domestically in the Philippines, as well as in Macau, Malaysia and Singapore and other casinos and resort developments that operate in Asia. The Company also believes that Solaire Resort & Casino competes against facilities in the world's other major gaming centers, including Las Vegas, Nevada, USA and Australia. In particular with respect to VIP customers, the Company expects to compete primarily with Macau, Malaysia, Singapore and Australia for customers of independent

junket promoters, while the Company expects Singapore to be a strong competition for Premium Direct customers.

The Company expects to compete effectively because of its well-designed facilities and targeted gaming offerings, as well as the expertise of its current management team in developing events and promotions for the mass market and procuring business from junket operators throughout the region.

In the Philippine gaming market, the Company is one of only four private gaming operators in Entertainment City, along with Travellers International Hotel Group, Inc. ("Travellers"), Melco Crown (Philippines) Resorts Corporation ("MCE Philippines") and Universal Entertainment Corp. ("Universal"). The Company is not aware of any other potential new private applicants for additional licenses from PAGCOR. In terms of its integrated tourism resort and tourism business, the Company competes domestically with both Philippine and foreign-owned hotels and resorts. With respect to its gaming business in particular, Solaire competes domestically with PAGCOR gaming facilities, existing privately owned casinos and the facilities, if any, to be built by the three other developers granted provisional licenses by PAGCOR in and around Entertainment City. As of end 2013, there are 13 casinos, 8 members-only slot machine VIP clubs and 3 slot machine arcades throughout the Philippines owned and/or operated by PAGCOR. In addition, outside of Entertainment City and Metro Manila, PAGCOR has licensed private casino operators in special economic zones, including four in Clark Ecozone, one in Poro Point, La Union, and one in Binangonan, Rizal. Other competitors licensed by government agencies include companies specializing in horse racing, cockfighting, lotteries, sweepstakes and other smaller-scale gaming operators.

Travellers opened Resorts World Manila in August 2009, the first PAGCOR-licensed integrated tourism resort located in the Newport City Cybertourism Zone ("Newport City") in the vicinity of Manila's international airport. Travellers is a joint venture between Genting Hong Kong Limited ("Genting HK"), a Hong Kong-based gaming operator which is a part of the Genting Group that has facilities worldwide, and Alliance Global Group, Inc. ("AGI"), a Philippine conglomerate that owns Megaworld Corporation, a large Philippine property developer. Travellers has announced that it plans to commence construction of its second integrated tourism resort, which will be located in Entertainment City, by 2017 to 2018.

MCE Philippines is a project of Belle Corp. and Melco Crown International. MCE Philippines is currently developing an integrated tourism resort near Entertainment City on an approximately 6.2-hectare site, which is expected to open in the fourth quarter of 2014.

Another developer, Universal, a Japan-based corporation, through its subsidiary Tiger Resorts, Leisure and Entertainment, Inc., broke ground on its planned development in Entertainment City in January 2012, and is said to open in the second half of 2015.

The Company believes that Solaire will be able to compete effectively with these entrants by offering a differentiated product that will appeal to the preferences of all segments of the Philippine gaming market, which is expected to grow significantly over the next few years.

Principal Suppliers/ Service Provider

Steelman Partners ("Steelman") was engaged to provide the master plan design concept for Solaire. Steelman is an architecture, planning and design firm with vast experience in designing gaming resort projects throughout the world. The Group has also engaged Design Coordinates, Inc. ("DCI") acting through its affiliate D' Consult International, Inc., and D.M. Consunji, Inc. ("DMCI"), two of the Philippines' most experienced companies with established track records in large-scale project management and construction, respectively, to oversee and conduct the development and construction of Solaire. KNA Design, a Los Angeles-based interior design firm was also engaged to provide interior design for the Hotel component of Phase 1A. TPM, one of Asia's leading construction project management consultancies focused on gaming anchored

hospitality development projects, was hired as the Group's project managers to oversee the development and construction of Solaire.

Customers

Mass Market

The Company's Mass Market customers will comprise all Solaire customers who do not fall under the VIP customer segments.

VIP Players

Solaire's VIP customers are players who are on a rolling chip program at Solaire. These VIP players may come to Solaire directly without any agent or junket/independent gaming promoter intermediary, or they may be sourced from independent gaming promoters in the Philippines and across Asia.

The Company expects that as a result, each area of Solaire and its respective facilities and gaming offerings will meet the needs of each category of customer. Solaire's facilities is complemented by extensively trained employees with skillsets tailored to the customer base that they will be serving, allowing Solaire to offer them the best possible gaming experience.

Related Parties

The Company and its subsidiaries, in their ordinary course of business, engage in transactions with affiliates. The Company's policy with respect to related party transactions is to ensure that these transactions are entered into on arm's length terms comparable to those available from unrelated third parties.

In considering each possible related entity relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Intellectual Property, Licenses, Contract and Agreements

The Company, through its subsidiaries BRHI and Sureste, has registered or applied to register trademarks in connection with the Company's properties, facilities and development projects. BRHI has registered the trademarks "Entertainment City Manila" and "Solaire Resort & Casino." Sureste has registered the trademarks "Food Court," "Strip Steakhouse," "Fresh," "Finestra," "Red Lantern," "Eclipse" and "Lucky Noodles." These are brand names under which the Company will market its properties and services. The Company considers these brand names to be important to the Company's business since they have the effect of developing brand identification and awareness. The Company expects to apply to register additional trademarks for its logos, club names, restaurants and other property as needed to protect its brand names.

The Company also possesses copyrights for certain of the proprietary software systems, whose remaining useful lives range from one to five years. The Group sees to it that its rights for the use of these software systems are secured at all times to ensure continued use and support from vendors

Insurance

The Company maintains insurance which covers incidents such as damage to property; the transport of gaming chips, playing cards and equipment; monetary loss due to third party and/or employee theft or fraud; damage to third party property and injury / death to persons; and life, accident and medical insurance for employees. Each policy has exclusions customary in the Philippines. The Company also maintains business interruption insurance for Solaire.

The Company directly procured insurance coverage for all related risks relative to the construction of Phase 1A.

Notwithstanding the Company's insurance coverage, damage to its facilities, equipment, machinery, buildings or other properties as a result of occurrences such as fire, explosion, intentional unlawful act or natural disaster could nevertheless materially and adversely affect the Company's financial condition and results of operations to the extent that such occurrences disrupt the Company's normal operations. In addition, there are certain types of risks that are not covered by the Company's insurance policies, including acts of war and acts of terrorism.

The Company maintains a director and officers liability insurance, which covers directors and officers for errors and omissions. The Company does not maintain key personnel insurance for any of its directors or executive officers.

Government License and Regulatory

Provisional License

PAGCOR issued a provisional license ("Provisional License") for the development of an integrated casino, hotel and entertainment complex within Entertainment City on April 8, 2009 to BRHI. BRHI is one of four licensees for Entertainment City.

The Provisional License will be replaced with a regular casino gaming license upon Solaire's completion and PAGCOR's approval of a final report. The US\$50 million held in escrow under the Provisional License will be released upon issuance of the regular casino gaming license. The Provisional License, as well as any regular license issued to replace it (which shall have the same terms and conditions as the Provisional License), is co-terminus with PAGCOR's franchise. PAGCOR franchise will expire on July 11, 2033 and may be renewed by law.

PEZA Registration

Sureste is a PEZA-registered Tourism Economic Zone Enterprise for the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino – Entertainment City Manila.

Employees

The Group recruits almost all of Solaire's gaming, hotel, food and beverage and other staff locally. The Group aims to generate jobs in Metro Manila in support of PAGCOR's policy goals, both directly as Solaire expands and indirectly should Solaire stimulate local tourism.

As at December 31, 2013, the Group employed 3,994 individuals at Phase 1 of Solaire, 446 of whom are officers and managers, 1,024 supervisors and 2,524 are rank and file. These employees serve various departments including management and administrative, gaming, hotel operations, food and beverage, property and marketing, among others. In addition, the Group employed approximately 500 casual employees.

The Group is, and intends to continue to be, in compliance with all applicable Philippine labor and employment regulations. The Company currently has in place internal control systems and risk management procedures to monitor compliance with labor, employment and other applicable regulations. Going forward, the Company, through its human resources and legal departments, will continue to monitor all labor issues to ensure compliance with all applicable labor and employment regulations.

The Company's employees are not subject to collective bargaining agreements.

Discussion of Risks

Management has identified major business risk factors affecting the Group as follows: (i) General Risks Relating to the Group; (ii) Risks Relating to the Provisional License and Regulation of the Philippine Gaming Industry; (iii) Risks Relating to the Development of Phase 1A and Future Expansion; (iv) Risks Relating to the Operation of Solaire; and (v) Risks Relating to the Philippines.

General Risks Relating to the Group

Solaire has been operational for less than one year and is subject to significant risks and uncertainties. The Group's limited operating history should be considered to determine its future operating results and prospects.

The Group's businesses and assets are in the Philippines, and a significant number of its VIP customers are from Greater China, Thailand, Malaysia and other parts of Asia. However, the gaming business is still vulnerable to global economic downturns.

Risks Relating to the Provisional License and Regulation of the Philippine Gaming Industry

The Company's gaming operations are dependent on the Provisional License issued by PAGCOR.

Any additional gaming licenses issued by PAGCOR could increase competition and diminish the value of the Company's Provisional License and the Company's business may be adversely affected by policy changes or additional conditions on its Provisional License.

PAGCOR's licensees such as BRHI may lose their exemption from corporate income tax under Section 13 (2) (b) of the PAGCOR charter if their income tax exemption is not affirmed by the court.

Risks Relating to the Development of Phase 1A and Future Expansion

Solaire's Phase 1A is currently under development and construction and any cost increases, cost overruns or delays may require additional equity or debt funding. Construction at Phase 1A is subject to hazards that may cause personal injury or loss of life, thereby subjecting the Group to liabilities and possible losses.

The Group's international expansion plans and any further plans to expand Solaire may not materialize or be successful.

Risks Relating to the Operation of Solaire

The loss of members of the Solaire's management team may adversely affect the Group's operations, particularly given the Group's short experience in operating an integrated tourism resort such as Solaire. The Group's termination of the MSA with GGAM may have future effect on Solaire's business as there is no assurance that it will be successful with respect to the arbitration case.

Solaire faces competition in the Philippines and elsewhere in Asia, and it may have difficulty in competing and gaining the desired market share. The Group also needs to maintain, or develop additional, successful relationships with reputable independent gaming promoters to be successful as the Philippine gaming industry grows.

Solaire success partly depends on the reputation and integrity of the junket operators it engages, and the Group may be affected by a lack of probity and integrity of such operators. There could also be increased regulation or scrutiny on independent gaming promoters.

The Group is exposed to risk on credit extended to its clients. And VIP gaming customers may cause significant volatility in the Group's revenues and cash flows.

Solaire's ability to generate revenues depends to a substantial degree on Manila's development as a tourist and as a gaming destination. Metro Manila's transport infrastructure is a key component for the development of the Philippine's gaming industry.

Solaire requires a substantial number of qualified managers and employees, and is dependent on the Group's ability to recruit, train and retain a sufficient number of such qualified personnel.

Risks Relating to the Philippines

The occurrence of natural catastrophes could adversely affect the Group's business, financial condition or results of operations. In addition political instability in the Philippines could destabilize the country and may have a negative effect on the Group. Acts of terrorism could also destabilize the country and could have a material adverse effect on the Groups's assets and financial condition.

Tensions with China and other Southeast Asian countries arising from various territorial disputes may adversely affect the Philippine economy and business environment.

Item 2. Properties

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the gaming facility. The lease period shall be about 23 years, which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interests as a lessee under the contract of lease with PAGCOR. In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land was executed.

The leasehold rights and improvements on the leased lands are subject to mortgage lien in favor of BDO and other lenders.

Item 3. Legal Proceedings

The Group terminated the MSA effective September 12, 2013 because of a material breach of the MSA by GGAM after prior notice and failure of discussions to settle the dispute. GGAM has sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. BRHI and Sureste have submitted their response to the notice of arbitration. The parties are awaiting the constitution of a 3 member arbitral tribunal which will resolve the dispute in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

BRHI and SPI have filed a petition with, which was granted by, the Regional Trial Court of Makati, a petition for measures of protection for the Bloomberry shares owned by GGAM in the form of a writ of preliminary attachment and writ of preliminary injunction to stop GGAM from disposing of its Bloomberry shares.

Except for the matter discussed in the preceding paragraph, neither the Company nor any of its subsidiaries are involved in or the subject of any legal proceedings which, if determined adversely to the Company or the relevant subsidiary's interests, would have a material effect on the business or financial position of the Company or any of its subsidiaries.

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II - SECURITIES OF THE REGISTRANT

Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

5.1 Market Information

Principal Market where Company's common equity is traded: Philippine Stock Exchange
As of the latest practicable trading date on February 28, 2014, the share prices of the Company were:

	Price/Common Share
Opening:	8.71
High:	9.10
Low:	8.61
Closing:	9.08

The high and low share prices for each quarter within the last two years are:

Calendar Period	High	Low
2012		
Quarter 1	63.00	25.80
Quarter 2	33.60	8.21
Quarter 3	11.20	9.49
Quarter 4	14.78	11.14
2013		
Quarter 1	16.58	12.96
Quarter 2	13.98	8.40
Quarter 3	12.30	9.45
Quarter 4	10.90	8.30

5.2 Holder

The number of stockholders of record as of the latest practicable date on December 31, 2013 was 75 excluding PCD Nominees. Common shares outstanding as of the same date were 10,589,800,556 shares of which 9,668,616,500 shares are listed at the PSE.

The following are the Company's top 20 registered common stockholders holding listed and unlisted shares as of December 31, 2013:

	Name	No. of Shares Held	% of Total
1.	Prime Metroline Holdings, Inc.	6,407,472,444	60.51%
2.	PCD Nominee (Non-Filipino)	2,401,271,588	22.68%
3.	Quasar Holdings, Inc.	921,184,056	8.70%
4.	PCD Nominee (Filipino)	562,003,235	5.31%
5.	Falcon Investco Holdings Inc.	225,000,000	2.12%
6.	Enrique K. Razon, Jr.	31,232,832	0.29%
7.	A. Soriano Corporation	12,587,000	0.12%
8.	Christian R. Gonzalez	10,326,033	0.10%
9.	John Ramon M. Aboitiz	9,910,632	0.09%
10.	Silverio Benny J. Tan	1,980,719	0.02%
11.	Medy Chua See	1,000,000	0.01%
12.	Chadbrad Management Inc.	833,400	0.01%

	Name	No. of Shares Held	% of Total
13.	Abodax Management Inc.	833,300	0.01%
14.	Croker Island Management Inc.	833,300	0.01%
15.	Felimon M. Suarez	580,000	0.00%
16.	Lorraine Koo Mann Loo	500,000	0.00%
17.	Nossahead Management Inc.	366,667	0.00%
18.	Lesothea Management Inc.	366,667	0.00%
19.	Dijibouti Management Inc.	366,666	0.00%
20.	Dennis Andreaci	335,717	0.00%

As of December 31, 2013, the public ownership level of the Company is at 28.1238%

5.3 Dividends

No dividends, either cash or stock, were declared on the shares for the last two (2) years.

5.4 Recent Sales of Unregistered or Exempt Securities/ Exempt Transactions

The Company in the special stockholders' meeting and board meeting held on February 6, 2012 approved the increase its authorized capital stock to Fifteen Billion Pesos (₱15,000,000,000) divided into Fifteen Billion (15,000,000,000) shares. The Board of Directors approved the subscription of the following companies to the aforesaid increase in the authorized capital stock of the Company at the subscription price per share equivalent to the par value of the subscribed shares of one peso:

Subscriber	Subscribed Shares
PMHI	7,265,656,500
Top Global Systems Limited (TGSL)	800,000,000
Falcon Investco Holdings, Inc. (FIHI)	225,000,000
Quasar Holdings, Inc. (QHI)	921,184,056
Total	9,211,840,556

The issuance of new shares in an increase in authorized capital stock is an exempt transaction under SRC Rule Section 10.1 (i), (e) and (k).

In May 2012, Bloomberry and its parent company, PMHI, completed a Placing and Subscription Transaction under which PMHI first sold in a private placement to various institutional investors 1,179,963,700 shares of stock in Bloomberry at ₱7.50 per share. On May 28, 2012, CLSA Limited as the stabilizing agent exercised the over-allotment option to purchase 117,996,300 shares of stock in Bloomberry from PMHI at the same purchase price of ₱7.50 per share. The net proceeds of the private placement and the exercise of the over-allotment were used by PMHI to subscribe to the equivalent number of new shares in Bloomberry at the same subscription price of ₱7.50 per share.

A total of 1,297,960,000 new shares were subscribed by PMHI as a result of the foregoing Placing and Subscription Transaction, including the exercise of the over-allotment option by the stabilizing agent. These shares were listed in the Philippine Stock Exchange on December 7, 2012.

The issuance of new shares as a result of the Placing and Subscription Transaction is an exempt transaction under SRC Rule Section 10.1 (k) and (l).

The proceeds of these subscriptions to new shares of Bloomberry were used to pay for the acquisition of 100% outstanding capital stock of Sureste, and to finance the construction and development of Solaire.

PART III - FINANCIAL INFORMATION

Item 6. Management's Discussion and Analysis or Plan of Operation.

The following discussion and analysis relate to the financial condition and results of operations of Bloomerry and should be read in conjunction with the accompanying audited financial statements and related notes as of and for the year ended December 31, 2013.

6.1 OVERVIEW

The Company is a developer of hotels, casinos and integrated tourism resorts in the Philippines through its direct and indirect subsidiaries Sureste and BRHI. On April 8, 2009, BRHI was granted one of four Provisional Licenses to establish integrated resorts and casinos by the PAGCOR within Entertainment City, a special economic zone in Parañaque City being developed into a gaming and entertainment area on approximately 120 hectare site alongside Manila Bay.

Solaire, aimed to be the Philippines' premiere integrated resorts and gaming complex is the first integrated resort in operation in Entertainment City when it opened on March 16, 2013.

6.2 RESULTS OF OPERATIONS

The following are the key performance indicators:

Table 6.0 Key Performance Indicators

<i>In thousands except for ratios</i>	For the Year Ended December 31, 2013
EBITDA	1,118,107
Net Debt to Equity Ratio (D/E)	0.99
Current Ratio	1.19
Total Assets	40,346,968
Return on Equity (ROE)	(8.20%)

EBITDA is earnings before interest, taxes, depreciation and amortization.

Net Debt to Equity Ratio (D/E Ratio) is the ratio of the borrower's total liabilities net of cash to total shareholder's equity.

Current Ratio is a liquidity ratio that measures the company's ability to pay short-term obligations.

Return on Equity (ROE) is calculated by dividing the Company's annual earnings by shareholders' equity

These performance indicators are not applicable in 2012 and prior years when the Company had no commercial operation.

The following table shows a summary of the results of operations for the year ended December 31, 2013 and 2012, as derived from the accompanying Audited Financial Statements. Solaire started commercial operations on March 16, 2013. The Company was in pre-operating stage as of December 31, 2012.

Table 6.1

	For the Year Ended December 31			% Change	% Change
<i>In thousands, except % change and per share data</i>	2011	2012	2013	2011 vs 2012	2012 vs 2013
Revenues	P145,680	P195,600	P12,343,983	34.3	6,210.8
Expenses	159,529	951,976	13,504,124	496.7	1,318.5
Provision for (Benefit from) Income Tax	(16,508)	(68,438)	154,948	314.6	(326.4)
Net Income (Loss)	2,660	(687,939)	(1,315,090)	(25,965.2)	91.2
Basic and Diluted Earnings (Loss) Per Share	0.001	(0.070)	(0.124)	(7,000.0)	77.1

6.3 OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2013 COMPARED WITH 2012

6.3.1 REVENUES

Revenues consist of: (1) Gaming; (2) Hotel, food and beverage; (3) Interest income; and (4) Retail and others. The table below illustrates the consolidated revenues for the year ended December 31, 2013 and 2012:

Table 6.2

	For the Year Ended December 31		% Change
	2012	2013	2012 vs 2013
<i>In thousands, except % change data</i>			
Gaming	P	P11,464,048	-
Hotel, food and beverage	-	767,593	-
Retail and others	-	58,696	-
Interest income	195,600	53,647	(72.6)
Total Revenues	P195,600	P12,343,984	6,210.8

For 2013, gaming revenues accounted for 92.9% of total revenues, while hotel, food and beverage accounted for 6.2%. For 2012, interest income accounted for 100% of the total consolidated revenues.

6.3.1.1 Gaming

After a very successful opening of the property on March 16, 2013, the Group focused its efforts in ramping up its gaming business. Solaire registered P14.9 billion of gross gaming revenues in 2013 and P11.5 billion net revenues after deducting promotional allowance, discounts, rebates paid through gaming promoters, progressive jackpot liability and points earned in customer loyalty program. The growth since opening date was the result of the Group's identifying and addressing operational issues relating to GGAM's failure under the MSA and intensifying promotion and marketing efforts through unveiling creative programs, hosting special events, launching promotions and other strategic marketing activities. In the 10 months of operations the Group had signed-up with about 50 junket operators to bring in foreign VIP players. The mass gaming player sign-ups also have reached 256,000 in 2013 while total visitation for the year has reached the 3 million mark.

6.3.1.2 Hotel, Food and Beverage

To complement the gaming business of the property, the Group registered P767.6 million of hotel, food and beverage revenues. Since opening day, the hotel and food and beverage outlets had become a go-to destination for its first class service and amenities and excellent choices in its food and beverage outlets. Occupancy has reached 72% in the last quarter of 2013. With the decision of rationalizing food sources, adjusting food prices and expanding the food choices in the second quarter, patronage of F&B outlets had notably increased since then it had become very competitive vis-à-vis the local market. F&B outlets were able to serve approximately 760,000 covers for the year. In 2013 a number of international and local events were successfully hosted on the property.

6.3.1.3 Interest Income

Consolidated interest income for 2013 decreased by 72.6 percent to P53.6 million from P195.6 million in 2012 mainly due to lower average cash balances in 2013 compared to 2012. The higher cash balance in 2012 was brought about by net proceeds from stock subscription of P18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the bilateral loan with BDO of P5.8 billion which were used to pay PMHI for the Sureste shares amounting to P5.9 billion and contractors, suppliers and consultants for the development of Solaire amounting P12.2 billion. In 2013, drawdown from the Original Facility amounted to P9.6 billion.

The proceeds of the loan and augmented with the excess cash in 2012 were used to finance the completion of Phase 1 and piling work of Phase 1A.

6.3.1.4 Retails and Others

Retail revenue for the 10 months of commercial operations reached ₱28.9 million while other income consisting mainly of lease rentals, spa services, laundry services, communication and transportation services registered ₱29.8 million of revenues.

6.3.2 EXPENSES

Total cost and expenses consist of: (1) Taxes and licenses; (2) Salaries and benefits; (3) Depreciation and amortization; (4) Advertising and promotions; (5) General office expenses; (6) Provisional for doubtful accounts; (7) Utilities; (8) Cost of sales; (9) Outside services and charges; (10) Pre-opening expenses; (11) Rent; (12) Communication and transportation; (13) Repair and maintenance; and (14) Others.

The table below shows the breakdown of total expenses for 2012 and 2013.

Table 6.3

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2012	2013	2012 vs 2013
Operating costs and expenses:			
Taxes and licenses	₱78,335	₱3,421,499	4,267.8
Salaries and benefits	222,217	2,349,874	957.5
Depreciation and amortization	33,923	2,039,224	5,911.3
Advertising and promotions	-	1,505,605	-
General office expenses	37,162	752,132	1,923.9
Provision for doubtful accounts	-	532,705	-
Utilities	10,708	529,675	4,846.4
Cost of sales	-	519,178	-
Outside services and charges	70,208	507,222	622.5
Pre-opening expenses	318,786	283,372	(11.1)
Rent	-	218,656	-
Communication and transportation	38,396	92,172	140.1
Repairs and maintenance	2,082	59,455	2,755.0
Others	7,538	454,328	5,927.2
Sub-total	819,358	13,265,099	1,519.0
Interest expense	-	371,030	-
Foreign exchange losses (gains) – net	115,781	(187,467)	(261.9)
Mark-to-market loss	16,838	55,462	229.4
Total Expenses	₱951,976	₱13,504,124	1,318.5

6.3.2.1 Cost and Expenses

Except for pre-opening expenses, all cost and expenses in 2013 increased by a significant percentage compared with the prior year mainly because it is the initial year of commercial operation of Solaire. Total expenses (including expenses relating to GGAM's mistakes and inefficiencies) rose over fourteen times from ₱952 million to ₱13.504 billion.

Taxes and licenses

Taxes and licenses consist mainly of gaming taxes paid to PAGCOR.

Salaries and benefits

Approximately 80% of Solaire's manpower compliment came on board in the 1st Quarter of 2013 and by opening date of the property, manpower count reached almost 4,500 from 836 at the beginning of 2013.

Depreciation and amortization

Depreciation and amortization pertains to the straight-line depreciation and amortization of property and equipment as well as the operating equipment over the useful lives of these assets ranging from 2 to 20 years.

Advertising and promotions

Advertising and promotions consist of costs of property and brand marketing, events and promotions, print and media placements, corporate giveaways, prizes and sponsorship of events, trade shows, exhibits and partnerships and other promotion related expenses.

General office expenses

General office expenses consist mainly of costs of gaming and office supplies, guest supplies, cleaning supplies insurance, housekeeping supplies and other office expenses.

Provision for doubtful accounts

The Group evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the gaming industry and current economic and business conditions.

Utilities

Utilities are composed of electricity cost, water charges, fuel costs, gas, sewerage and cost of air conditioning supplies.

Cost of sales

Cost of sales consists mainly of food and beverage costs and buying costs of retail items.

Outside services and charges

Outside services and charges pertains to cost of professional and third party services which include, among others, legal services, consultancy services, marketing services, security services, audit services, landscaping services and maintenance and cleaning services.

Pre-opening expenses

Pre-opening expenses represents expenses incurred from January 1, 2013 until opening date directly associated with pre-opening activities, included, among others, recruitment and training expenses of new employees, payment for direct advertising and marketing expenses, salaries and benefits of employees directly associated with the opening, GGAM fees and other pre-opening consultants, advertising and promotions, rentals of temporary offices and cost of the opening ceremonies.

Rent

Rent consists mainly of lease rentals for the land and other real properties as well as casino, office and other equipment.

Communication and transportation

Communication and transportation represents cost of telephone and data communications, valet services, fleet management services and shuttle services. Costs of business travels are also charged to this account.

Repairs and maintenance

The upkeep of the property and equipment is charged to this account, which includes the maintenance of casino equipment, furniture and fixtures, computer equipment, curtains and drapery, transportation equipment, electrical and mechanical equipment.

Others

Other expenses consists of miscellaneous expenses mainly pertaining to complimentary service charges, representation, dues and subscriptions, freight charges, contract entertainment, trust fees, donations and community service expenses, credit card commissions and bank charges.

6.3.2.2 Interest Expense

Interest expense represents interest on the Original Facility with BDO.

6.3.2.3 Foreign Exchange Losses (Gains) - Net

The Group recognized a net foreign exchange gain for the year of ₱187.5 million as the Philippine peso depreciated against the US dollar in 2013. On the other hand, the Group reported ₱115.8 million net foreign exchange losses in 2012. The Philippine peso depreciated against the US dollar from ₱41.192/US\$1 as of December 31, 2012 to ₱44.414/US\$1 as of December 31, 2013.

6.3.2.4 Mark-to-Market Loss

Mark-to-market loss was a result of the fair value determination of the embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2013. The mark-to-market loss increased in 2013 mainly because of the additional drawdowns from the Original Facility.

6.3.3 PROVISION FOR (BENEFIT FROM) INCOME TAX

In 2013, the Group recognized net provision for income tax of ₱154.9 million mainly arising from derecognition of deferred tax assets on NOLCO and recognition of deferred tax liability on temporary differences associated with the capitalized rent and unrealized foreign exchange gain.

6.3.4 NET LOSS

The Group registered a net loss of ₱1,315.1 million for 2013 compared to a net loss of ₱687.9 million in 2012. The higher loss was attributed to higher expenses (including expenses relating to GGAM's mistakes and inefficiencies), which rose over fourteen times from ₱952 million to ₱13.504 billion. Operating expenses also include almost ₱1.1 billion of expenses incurred prior to the opening of Solaire on March 16, 2013.

6.3.5 EARNINGS (LOSS) PER SHARE

With the higher net loss for the year, basic loss per share increased from ₱0.070 for 2012 to ₱0.124 for 2013. The basic and diluted earnings (loss) per share are the same as there are no dilutive potential common shares.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2013.

6.4 OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2012 COMPARED WITH 2011

6.4.1 REVENUES

Revenues consist of: (1) Interest income; (2) Gain on sale of investment in an associate; and (3) Other income. The table below illustrates the consolidated revenues for the year ended December 31, 2012 and 2011:

Table 6.4

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2011	2012	2011 vs 2012
Interest income	₱69,006	₱195,600	183.3
Gain in sale of investment in an associate	72,330	-	(100.0)
Others	4,345	-	(100.0)
Total Revenues	₱145,680	₱195,600	34.3

For 2012, interest income accounted for 100% of the total consolidated revenues. For 2011, interest income and gain on sale from investment in an associate accounted for 47.4 percent and 49.6 percent, respectively.

6.4.1.1 Interest Income

Consolidated interest income for 2012 jumped by 183.5 percent to ₱195.6 million in 2012 from ₱69.0 million in 2011 mainly due to higher average cash balances in 2012 compared to 2011. This was brought about by the net proceeds from stock subscription of ₱18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the Original Facility with BDO of ₱5.8 billion reduced by payment to PMHI for the Sureste shares amounting to ₱5.9 billion, payments to contractors, suppliers and consultants for the development of Solaire amounting ₱12.2 billion, payments for the lease of the land of ₱237.5 million and payments for administrative expenses of ₱0.8 billion.

6.4.1.2 Gain on Sale of Investment in an Associate

On November 29, 2011, Sureste sold its remaining interest in MOREI to PMHI. The sale resulted to a gain of ₱72.3 million.

6.4.1.3 Others

Other income for 2011 consists of rental of investment properties held by Sureste. In October 2011, these investment properties were declared as property dividends to PMHI, which explains why no other income was recognized in 2012.

6.4.2 EXPENSES

Total expenses consist of: (1) Pre-opening expenses; (2) Salaries and benefits; (3) Taxes and licenses; (4) Outside services and charges; (5) Communication and transportation; (6) General office expenses; (7) Depreciation and amortization; (8) Utilities; (9) Repairs and maintenance; and (10) Others.

The table below shows the breakdown of total expenses for 2011 and 2012.

Table 6.5

	For the Year Ended December 31		% Change
<i>In thousands, except % change data</i>	2011	2012	2011 vs 2012
Cost and expenses:			
Pre-opening expenses	₱46,467	₱318,786	586.0
Salaries and benefits	3,437	222,217	6,365.4
Taxes and licenses	64,273	78,335	21.9
Outside services and charges	8,914	70,208	687.6
Communication and transportation	7,605	38,396	404.9
General office expenses	5,322	37,162	598.3
Depreciation and amortization	5,443	33,923	523.2
Utilities	454	10,708	2,258.6
Repairs and maintenance	2,164	2,082	(3.7)
Others	5,124	7,538	47.1
Sub-total	149,202	819,358	449.2
Foreign exchange losses – net	394	115,781	29,286.1
Mark-to-market loss	-	16,838	100.0
Equity in net loss of an associate	9,933	-	(100.0)
Total Expenses	₱159,529	₱951,976	496.7

6.4.2.1 Cost and Expenses

Pre-opening expenses

Pre-opening expenses increased by 586.0 percent to ₱318.8 million due to recruitment and training expenses of new employees, payment for direct advertising and marketing expenses, salaries and benefits of employees directly associated with the opening, GGAM fees and other pre-opening consultants, and rentals of temporary offices.

Salaries and benefits

Most of the officers and employees joined the Group in 2012. Salaries and benefits for 2012 amounted to ₱222.2 million almost 65 times the amount paid in the same period last year mainly due to the increase in headcount to 836 from 19 at the beginning of the year.

Taxes and licenses

Taxes and licenses for 2012 was higher by 21.9 percent as versus the same period in 2011 due mainly to SEC filing fees related to the increase in authorized capital stock and documentary stamp taxes for various legal documents.

Outside services and charges

Outside services and charges consisting mainly of professional and third party services increased by 687.6 percent from ₱8.9 million in 2011 to ₱70.2 million in 2012. The increase was due to higher fees from legal, audit, recruitment and other consultants as well as increased building dues, freight and other fees.

Communication and transportation

Communication and transportation has increased by almost ₱30.8 million from ₱7.6 million in 2011 as result of higher number of employees as compared with the same period last year and increase in travel activity for recruitment purposes, marketing and investor relation activities.

General office expenses

General office expenses increased by 598.3 percent from ₱5.3 million in 2011 to ₱37.2 million in 2012 because of higher number of employees compared with last year resulting to higher cost of office and office equipment-related supplies.

Depreciation and amortization

Depreciation and amortization was higher than last year mainly because of new office furniture, fixtures and equipment, leasehold improvements for the recruitment and training facilities as well as acquisition of communication and transportation equipment in 2012.

Utilities

Utilities increased to almost twenty-four times to ₱10.7 million in 2012 mainly because increase pre-operating activities which include, among others, marketing, recruitment and training.

Repairs and maintenance

Repairs and maintenance for 2012 was lower compared with the same period last year mainly due to repairs made to Sureste's real estate assets, which were declared and transferred as property dividends to PMHI in October 2011.

Others

Other expenses representing miscellaneous expenses increased by 47.1 percent due to increase in pre-operating activities.

6.4.2.2 Foreign Exchange Loss - Net

The Group continues to recognize foreign exchange losses as the Philippine peso continues to appreciate against the US dollar. The Group reported ₱115.8 million net foreign exchange losses in 2012. The Philippine peso appreciated against the US dollar from ₱43.84/US\$1 as of December 31, 2011 to ₱41.192/US\$1 as of December 31, 2012.

6.4.2.3 Mark-to-Market Loss

Mark-to-market loss was a result of the fair value determination of an embedded derivative in the prepayment option of the Group's loan with BDO as of December 31, 2012.

6.4.2.4 Equity in Net Loss of an Associate

Equity in net loss of an associate in 2011 represents Sureste's share in the net losses of MOREI. MOREI was an associate of Sureste until October 2011, when Sureste declared and issued to PMHI its investment in 899,872,627 common shares of MOREI as property dividends and subsequently, on November 29, 2011, entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI.

6.3.3 BENEFIT FROM INCOME TAX

In 2012, the Group recognized a higher deferred tax assets and equivalent benefit from income tax of ₱68.4 million. The additional deferred tax assets mainly represent the taxable loss of Sureste for 2012, which the Group will carry forward for tax purposes.

6.4.4 NET INCOME (LOSS)

The Group registered a net loss of ₱687.9 million for 2012 compared to a net income of ₱2.7 million in 2011. The drop was due to increased level of pre-operating activities mainly from recruitment and training, direct and general marketing as well as higher number of employees by the end of 2012. And in 2011, the Group recognized a gain on sale of investment in an associate of ₱72.3 million which caused the positive net result for the year.

6.4.5 EARNINGS (LOSS) PER SHARE

The basic loss per share of ₱0.070 for 2012 was also a drop from the earning per share of ₱0.001 in 2011. The basic and diluted earnings (loss) per share are the same as there are no dilutive potential common shares.

There are no other significant elements of income and expense outside the Company's operating results for the year ended December 31, 2012.

6.5 TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group will be exposed to a number of trends, events and uncertainties, which can affect its recurring revenues and profits upon commencement of its casino and hotel operations. These include levels of general economic activity, as well as certain cost items, such as labor, fuel and power. The Group will collect revenues in various currencies and the appreciation and depreciation of the US dollar and other major currencies against the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

6.6 FINANCIAL CONDITION

Table 6.6 Balance Sheets

	As of December 31			% Change	% Change
<i>In thousands, except % change data</i>	2011	2012	2013	2011 vs 2012	2012 vs 2013
Current assets	₱1,515,067	₱8,055,957	₱9,059,118	431.7	12.5
Total assets	8,324,870	28,796,048	40,346,963	245.9	40.1
Current liabilities	489,947	3,259,782	7,585,296	565.3	132.7
Total interest-bearing debt	2,422,059	8,176,107	17,632,590	237.6	115.7
Total liabilities	2,975,338	11,459,412	24,314,053	285.1	112.2
Total equity	5,349,532	17,336,636	16,032,912	224.1	(7.5)

	As of December 31		
<i>In thousands, except % change data</i>	2011	2012	2013
Current assets/total assets	18.20%	27.98%	22.45%
Current ratio	3.09	2.47	1.19
Debt-equity ratio ¹	0.56	0.66	1.52
Net debt-equity ratio ²	(0.08)	0.08	0.99

¹Debt includes all liabilities. Equity includes paid-up capital, equity reserves, share-based payment plan and deficit.

²Net Debt includes all liabilities less cash and cash equivalents and restricted cash.

Current assets increased 12.5 percent to ₱9.1 billion as of December 31, 2013 from ₱8.1 billion as of December 31, 2012. The growth was attributable to higher receivables, inventories and prepayment and other current assets balances at the end of the year as a result of the initial year of commercial operations of Solaire. On the other hand cash balance was reduced by ₱1.7 billion mainly because of payments to contractors, suppliers and consultants for the completion of Phase 1 of Solaire as well as the construction of Phase 1A notwithstanding the ₱9.6 billion loan drawdown from the Original Facility and Expansion Facility.

Total assets grew by 40.1 percent to ₱40.3 billion as of December 31, 2013 from ₱28.8 billion as of December 31, 2012. The increase was mainly due to the completion of Phase 1 of Solaire and the on going construction of Phase 1A. Property and equipment increased by ₱23.1 billion with the completion of Phase 1A. Project development cost of ₱4.1 billion pertains to the on-going construction of Phase 1A. Other non-current assets consisting mainly of prepaid debt issue costs and operating equipment increased by ₱417.4 million.

Current liabilities more than doubled during the year from ₱3.3 billion to ₱7.6 billion by the end of 2013 mainly because of Solaire's initial year of commercial operations. Total liabilities increased by 112.2 percent from ₱11.5 billion as of December 31, 2012 to ₱24.3 billion as of December 31, 2013 due mainly to the additional loan drawdown from Original Facility and Expansion Facility amounting to ₱9.6 billion and increase in current liabilities as explained above.

Total equity as of December 31, 2013 amounted to ₱16.0 billion, 7.5 percent lower compared to the ₱17.3 billion reported as of December 31, 2012. The decrease mainly resulted from the net loss for the period of ₱1.3 billion.

6.6.1 MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of December 31, 2013 with variances of plus or minus 5.0 percent against December 31, 2012 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents decreased by 22.3 percent as of December 31, 2013 mainly due to payments to contractors and consultants for the development of Solaire, payments for pre-operating and operating expenses of the Group. Drawdowns from the Original Facility amounted to ₱9.4 billion to finance the completion of Phase 1 of Solaire and the construction of Phase 1A.
2. Current portion of restricted cash went down by 61.2 percent mainly due to payments for project development costs, administrative expenses and funding of debt service and payment reserve accounts.
3. Receivables jumped to ₱2.5 billion an increase of 6,865.7 percent mainly due to credits issued primarily to fixed room junket operators. These credits are typically settled by the end of the relevant month.
4. Inventories as of December 31, 2013 amounted to ₱190.3 million mainly to support the operational requirements of the property.

5. Prepayments and other current assets grew by 75.7 percent from ₱139.5 million as of December 31, 2012 to ₱245.1 million as of December 31, 2013 due to prepayment of insurances and advances to trade suppliers.

Noncurrent Assets

6. Advances to contractors declined by 67.4 percent because of the completion of Phase 1 of Solaire.
7. Project development costs as of December 31, 2013 stood at ₱4.1 billion, 72.1 percent lower than ₱14.7 billion as of December 31, 2012. This is due to the completion of Phase 1 Project, which was reclassified to property and equipment. The current balance represents accumulated development costs for Phase 1A of Solaire.
8. Property and equipment jumped to ₱23.2 billion as of December 31, 2013 because of the reclassification from project development cost after the completion of Phase 1 and acquisition of equipment from opening date and reduced by depreciation for the year.
9. Deferred tax assets decreased by 100 percent due to the derecognition of deferred tax assets for net operating loss carried over (NOLCO) of Sureste from 2010 to 2013.
10. Other non-current assets increased by 294.5 percent mainly because of the purchase of hotel operating equipment and supplies which will be amortized during the start of commercial operations of the hotel and additional prepaid debt issue cost.

Current Liabilities

11. Payables and other current liabilities increased by 101.4 percent to ₱6.6 billion primarily due to outstanding chips and trade related payables and accruals with the commencement of commercial operations of Solaire in March 2013 as well as accruals for the construction of Phase 1A.
12. Current portion of long-term debt represents principal amounts net of unamortized debt discount issue cost, which are due in 2014.

Noncurrent Liabilities

13. Long-term debt net of unamortized debt discount increased by 103.1 percent to ₱16.6 billion as of December 31, 2013 due to the additional loan drawdown from the Original Facility with BDO for the completion of the Phase 1 of Solaire and drawdowns from the Expansion Facility. These were reduced by the reclassification of the loan's current portion to current liabilities due in the next twelve months.
14. Accrued rent decreased by 100 percent mainly because of the reclassification to current portion.
15. Net deferred tax liabilities amounted to ₱68.2 million. The Group recognized a deferred tax liability and equivalent provision for income tax of ₱154.9 million for the capitalized rent and unrealized foreign exchange gain.
16. Retirement liability and other non-current liabilities increased to ₱47.4 million due to the accrual of normal cost based on the 2013 actuarial valuation.

Equity

17. Share based payment plan amounted to ₱10.9 million. This pertains to the Group's stock incentive plan granted during the last quarter of 2013

18. Deficit increased by 112.0 percent to ₱2.5 billion as of December 31, 2013 from ₱1.2 billion as of December 31, 2012 due to the ₱1.3 billion registered net loss for 2013.

Balance sheet accounts as of December 31, 2012 with variances of plus or minus 5.0 percent against December 31, 2011 balances are discussed, as follows:

Current Assets

1. Cash and cash equivalents rose by 572.1 percent as of December 31, 2013 mainly due to the proceeds from stock subscription of ₱18.4 billion from PMHI and other subscribers in March and May 2012 and the additional drawdown from the Original Facility with BDO of ₱5.8 billion. The cash balance was reduced by payment to PMHI for the Sureste shares amounting to ₱5.9 billion, payments to contractors, suppliers and consultants for the development of Solaire amounting ₱12.2 billion, payments for the lease of the land of ₱237.5 million and payments for administrative expenses of ₱0.8 billion.
2. Current portion of restricted cash decreased by 92.9 percent mainly due to payments for project development costs and administrative expenses.
3. Receivables increased by 426.1 percent mainly because of advances to officers and employees, which are settled through salary deduction or liquidation.
4. Due from related parties amounting to ₱320 million as of December 31, 2011, was subsequently collected in February 2012.
5. Prepayment and other current assets grew by 782.2 percent from ₱15.5 million as of December 31, 2011 to ₱137.0 million as of December 31, 2013 because of recognition of derivative asset, additional prepayments for rent and insurance and increase in input VAT as well as in the current portion of security deposits.

Noncurrent Assets

6. Advances to contractors and suppliers increased by 2,908.5 percent due to advances made for outstanding purchase orders.
7. Project development costs as of December 31, 2012 stood at ₱14.7 billion, 241.2 percent higher than ₱4.3 billion as of December 31, 2011 due to additional billings from the contractors, consultants and suppliers for the development of Solaire.
8. Property and equipment which has a balance of ₱175.2 million as of December 31, 2012 was higher by 957.5 percent compared with the balance of December 31, 2011 because of additions in transportation, office and communication equipment and leasehold improvements totaling ₱192.5 million reduced by depreciation and amortization for period amounting to ₱33.9 million.
9. Deferred tax assets increased by 419.9 percent due to the recognition of tax assets mainly for net operating loss carried over (NOLCO) for 2012.
10. Other non-current assets increased by 50.1 percent mainly because of the purchase of hotel operating equipment and supplies which will be amortized upon start of commercial operations of the hotel.

Current Liabilities

11. Accrued expenses and other current liabilities increased by 565.3 percent to ₱3.3 billion primarily due to higher billings and accruals of liabilities to contractors and suppliers and accrual for PAGCOR land rental.

Noncurrent Liabilities

12. Long-term debt net of unamortized debt issue cost increased by 237.6 percent to ₱8.2 billion as of December 31, 2012 due to the ₱5.8 billion additional loan drawdown from the Original Facility.
13. Accrued rent decreased by 81.4 percent mainly because of first land lease payment and reclassification to current portion.
14. In 2012, the Group recognized a retirement liability for its current workforce for Solaire based on an actuarial valuation.

Equity

15. With the approval of the increase in authorized capital stock from ₱120 million to ₱15 billion, capital stock increased to ₱10.6 billion with the proceeds from stock subscription from PMHI and other shareholders.
16. In May 2012, PMHI offered and sold 1,179,963,700 of its existing Bloomberry common shares at ₱7.50 per share. PMHI subscribed for, and Bloomberry agreed to issue new shares in an amount equal to the aggregate number of shares sold by PMHI. PMHI also granted CLSA Limited, the stabilizing agent, an option to purchase up to 10% of the total offered shares or 117,963,700 shares at ₱ 7.50 per share, which CLSA Limited exercised on May 31, 2012. Additional paid-in capital arising from said transactions amounted to ₱8.0 billion.
17. Equity reserves as of December 31, 2011 amounting to ₱5.8 billion mainly representing the equity of Sureste, which was substantially eliminated after the reverse acquisition of Bloomberry. Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76.4 million, were charged against additional paid in capital. Equity reserves as of December 31, 2012 represent stock issuance costs incurred in 2011, net of Bloomberry's retained earnings at reverse acquisition date.
18. Deficit increased by 141.4 percent to ₱1.2 billion as of December 31, 2012 from ₱486.4 million as of December 31, 2011 was due to the ₱687.9 million registered net loss for 2012.

6.7 LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and use of funds as well as its debt and equity profile.

6.7.1 Liquidity

The table below shows the Group's consolidated cash flows for the years ended December 31, 2011, 2012 and 2013:

Table 6.7 Consolidated Cash Flows

	For the Year Ended December 31			% Change 2011 vs 2012	% Change 2012 vs 2013
	2011	2012	2013		
<i>In thousands, except % change data</i>					
Net cash provided by operating activities	592,163	604,920	2,443,610	2.2	304.0
Net cash used in investing activities	(2,173,017)	(18,018,269)	(13,176,816)	729.2	(26.9)
Net cash provided by financing activities	2,404,365	24,128,706	8,854,210	903.5	(63.3)
Effect of exchange rate changes on cash and cash equivalents	(4)	(7,965)	108,096	207,003.4	1,457.1
Net increase (decrease) in cash and cash equivalents	823,118	6,707,392	(1,770,900)	714.9	(126.4)
Cash and cash equivalents, beginning	349,255	1,172,373	7,879,765	235.7	572.1
Cash and cash equivalents, end	1,172,373	7,879,765	6,108,865	572.1	(22.5)

Cash and cash equivalents declined by 22.5 percent as of December 31, 2013 mainly due to payments to contractors and consultants for the development of Solaire and payments for pre-operating and operating expenses of the Group.

In 2013 the Group registered a positive cash flow from operating activities of ₱2.4 billion higher from last year's positive cash flow of ₱604.9 million. The main reason for the positive cash flows was because of the start of commercial operations of the property and higher levels of payables and other current liabilities.

Net cash used in investing activities in 2013 was below the level of 2012 when construction of Phase 1 was at its peak. The additions to project development costs of ₱3.0 billion and property and equipment of ₱7.8 billion were for the completion of Phase 1 of Solaire as well as the construction of Phase 1A.

In 2013 the Group's financing activities were mainly drawdowns from the Original Facility and Expansion Facility totaling ₱9.6 billion and payment of interest amounting to ₱568.0 million. The Group has drawn ₱3.3 billion out of the ₱14.3 billion Expansion Facility for Phase 1A construction project.

6.7.2 Capital Resources

The table below shows the Group's capital sources as of December 31, 2011, 2012 and 2013:

Table 6.8 Capital Sources

<i>In thousands, except % change data</i>	As of December 31			% Change	% Change
	2011	2012	2013	2011 vs 2012	2012 vs 2013
Long-term debt - net	₱2,422,059	₱8,176,107	₱17,632,590	237.6	115.7
Equity	5,349,532	17,336,636	16,032,913	224.1	(7.5)
Total Capital	₱7,771,591	₱25,512,743	₱33,665,503	228.3	32.0

Total debt and equity grew by 32.0 percent to ₱33.7 billion as of December 31, 2013 from ₱25.5 billion as of December 31, 2012. The increase was the result of the combined effect of the drawdowns from the Original Facility with BDO of ₱6.4 billion and Expansion Facility of ₱3.3 billion reduced by the current year's net loss of ₱1.3 billion.

Please refer to Note 13 of the Notes to Audited Consolidated Financial Statements for the discussion on debt financing, covenants and collaterals.

6.8 RISKS

The future operations of the Group shall be exposed to various market risks, particularly foreign exchange risk, interest rate risk and liquidity risk, which movements may materially impact the future financial results and conditions of the Group. The importance of managing these risks has significantly increased in light of the volatility in the Philippine and international financial markets. With a view to managing these risks, the Group has incorporated a financial risk management function in its organization, particularly in the treasury operations.

Please refer to Note 21 of the Notes to Audited Consolidated Financial Statements for the discussion on Financial Assets and Liabilities and Financial Risk Management Objectives and Policies.

Item 7. Consolidated Financial Statements

The Group's consolidated financial statements and accompanying notes are incorporated herein by reference.

Item 8. Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with the Company's external auditors, SyCip Gorres Velayo & Co. (SGV & Co.) on accounting and financial statement disclosures.

On June 24, 2013, the Stockholders of Bloomberry re-appointed SGV & Co. as principal accountant to audit its financial statements.

8.1 Information on Independent Accountant

The external auditor in 2013 is the firm SGV & Co. The Company has engaged Ms. Maria Vivian G. Cruz – Ruiz, partner of SGV & Co., for the audit of the Company's books and accounts in 2013.

8.2 External Audit Fees and Services

The Group paid its external auditors the following fees for the last three years for professional services rendered:

Table 8.1 Audit Fees

<i>In thousands pesos</i>	For the Year Ended December 31		
	2011	2012	2013
Audit	P272.8	P10,794.0	P14,002.9
Tax and others	886.1	1,016.4	9,542.6
Total	P1,158.9	P11,810.4	P23,545.5

Tax fees paid to the auditors are for tax compliance and tax advisory services. In 2012, other fees include the issuance of comfort letter for the Placing and Subscription Transaction in May 2012. In 2013, other fees include business process review and audit assistance in the pre-opening accounting activities.

The Audit Committee makes recommendations to the Board concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

PART III - CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

The members of the Board of Directors and executive officers of the Group as of December 31, 2013 are:

Office	Name	Citizenship	Age
Chairman of the Board & Chief Executive Officer	Enrique K. Razon Jr.	Filipino	54
Vice Chairman	Jose Eduardo J. Alarilla	Filipino	62
Director, President & Chief Operating Officer	Thomas Arasi	American	56
Director	Christian R. Gonzalez	Filipino	38
Director	Donato C. Almeda	Filipino	59
Independent Director	Carlos C. Ejercito	Filipino	68
Independent Director	Jon Ramon Aboitiz	Filipino	65
Chief Financial Officer & Treasurer	Estella Tuason-Occeña	Filipino	44
Executive Vice President for Gaming	Dennis Andreaci ¹	American	57
Senior Vice President for International Marketing	Laurence Upton ²	New Zealander	44
Senior Vice-President for Casino Marketing	Cyrus Sherafat ³	American	31
Senior Vice President for VIP Services	Lorraine Koo Mann Loo	Singaporean	37
Corporate Secretary	Silverio Benny J. Tan	Filipino	57
Compliance Officer	Christine P. Base	Filipino	43

¹Retired effective May 9, 2014.

²Appointed effective March 3, 2014.

³Appointed effective March 17, 2014.

Below are summaries of the business experience and credentials of the Directors and the Company's key executive officers:

Enrique K. Razon, Jr. — Chairman and Chief Executive Officer

Mr. Razon is the Chairman of the Board of Directors of BRHI and is the President of Sureste. He is the Chairman and President of ICTSI, and is the Chairman and/or President or director of ICTSI subsidiaries and affiliates including: ICTSI Ltd., International Container Terminal Holdings, Inc., ICTSI Warehousing, Inc., Cebu International Container Terminal, Inc., Baltic Container Terminal Ltd., Madagascar International Container Terminal Services Ltd., ICTSI Hong Kong Ltd., Contecon Guayaquil SA, Yantai Rising Dragon International Container Terminal Ltd., ICTSI Capital B.V., ICTSI Georgia Corporation, ICTSI Brazil Limited, ICTSI Poland Limited, Pentland International Holdings Ltd., Australian International Container Terminal Ltd., Tecon Suape, S.A. and Tecplata S.A., and ICTSI Foundation. Mr. Razon is the Chairman and President of Prime Metroline, Chairman of the Board of Monte Oro, an independent director of CLSA Exchange Capital Inc., and a director of other companies. He is a Member of the American Management Association, Management Association of the Philippines, and World Economic Forum.

Jose Eduardo J. Alarilla — Vice Chairman

Mr. Alarilla is the President of BRHI, Lakeland Village Holdings, Inc., Devoncourt Estates Inc., Eiffle House Inc. and Alpha Allied Holdings Ltd. He is the President and CEO of Mega Subic Terminal Services, Inc., Chairman of Mega Equipment International Corp., and President of Manila Holdings and Management, Inc. Mr. Alarilla is a director of Monte Oro and International Cleanenvironment Systems Inc. He holds a Bachelor of Science in Mechanical Engineering from De La Salle University and a Master in Business Management from the Asian Institute of Management.

Thomas Arasi — *Director, President and Chief Operating Officer*

Mr. Arasi was appointed as President and Chief Operating Officer of the Company effective October 11, 2013. He was formerly President and Chief Executive Officer of Marina Bay Sands Pte Ltd. He has also held senior positions with InterContinental Hotels Group as President of three major divisions, and was formerly the President of Tishman Hotel Corporation. Mr. Arasi is a graduate of Cornell University, where he received a Bachelor of Arts degree in Hotel and Restaurant Administration.

Christian R. Gonzalez — *Director*

Mr. Gonzalez is a director of BRHI, Sureste and Prime Metroline. He is the Vice President and General Manager of Manila International Container Terminal (MICT) in ICTSI. Prior to this, he was the Director General and Chief Operating Officer of Madagascar International Container Terminal Services Ltd. (MICTSL). He is a Trustee and Auditor of the ICTSI Foundation, Inc. Mr. Gonzalez is a graduate of Instituto de Estudios Superiores de la Empresa (IESE) Business School, the graduate school of management of the University of Navarra, in Barcelona, Spain, where he received his Bilingual Masters in Business Administration. He is also a graduate of Business Administration from Pepperdine University in California.

Donato C. Almeda — *Director*

Mr. Almeda is director of BRHI. Mr. Almeda served as President and CEO of Waterfront Philippines Inc. He also served as: President of Waterfront Cebu City Hotel, Waterfront Mactan Hotel and Fort Ilocandia Hotel, Managing Director of Waterfront Promotions Ltd. (a gaming company) and President of Insular Hotel in Davao. He earned his Engineering Degree from De La Salle University.

Carlos C. Ejercito — *Independent Director*

Mr. Ejercito is an independent director of Monte Oro. He is the Chairman and President of Northern Access Mining Corporation, Forum Cebu Coal Corporation, and Morganhouse Holdings Inc. He was Chairman of the Board of Directors of United Coconut Planters Bank, and was the former CEO of United Laboratories Inc. and several of its subsidiaries. He was a director of Ayala Greenfield Development Corporation. He was a former director in National Grid Corporation of the Philippines, Greenfield Development Corporation, Fort Bonifacio Development Corporation and Bonifacio Land Corporation. Mr. Ejercito is a governor of the Management Association of the Philippines and is a member of the Philippine Chamber of Commerce. Mr. Ejercito has a Bachelors degree in Business Administration, cum laude, from the University of the East, and is an MBA candidate from Ateneo Graduate School of Business. He attended the Program for Management Development of Harvard Business School.

Jon Ramon Aboitiz — *Independent Director*

Mr. Aboitiz has been an independent director of ICTSI since 2008. Mr. Aboitiz is the Chairman of Aboitiz & Co., Inc and Aboitiz Equity Ventures, Inc., and Vice Chairman of Aboitiz Power, a Cebu-based investment and management conglomerate, engaged in numerous and diverse business concerns ranging from power generation and distribution, banking and financial services, real estate development, construction, marketing, food, ship building, ship crewing and management. He began his career with the Aboitiz Group in 1970, after graduating from Santa Clara University in California with a B.S. in Commerce, majoring in Management. After serving as a manager with Aboitiz Shipping Corporation, he became its President in 1976 and in served as President and CEO of the Aboitiz Group from 1991 until 2008. Presently, he holds various positions in the Aboitiz Group including President of the Aboitiz Foundation, Vice Chairman of Unionbank of the Philippines and Chairman of the following committees of Unionbank: Executive Committee; Risk Management Committee; Compensation and Remuneration Committee; Nominations Committee; and Corporate Governance Committee. He is also a Trustee of the Philippine Business for Social Progress, Trustee of Santa Clara University and a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines).

Estella Tuason-Occeña — *Chief Financial Officer and Treasurer*

Ms. Occena is the Chief Financial Officer and Treasurer of BRHI and Director and Treasurer of Prime Metroline. She is an Executive Officer of ICTSI, Chief Financial Officer of Monte Oro,

Director and Chief Financial Officer of International Cleanenvironment Systems, Inc., Treasurer of Sureste, Sureste Realty Corporation, Lakeland Village Holdings Inc., Devoncourt Estates Inc., Achillion Holdings, Inc., Bloomberry Cultural Foundation, Inc. and Razon Industries, Inc. Ms. Occena has an MBA from De La Salle University and graduated with Distinction from St. Scholastica's College with a Bachelors Degree in Commerce.

Dennis Andreaci¹ — Executive Vice President for Gaming

Mr. Andreaci is the Executive Vice President for Gaming of the Company. He was formerly the Senior Vice President for Gaming Operations of Galaxy Macau Resort. Prior to joining Galaxy Entertainment, Mr. Andreaci was the Vice President for Table Games of Marina Bay Sands in Singapore from October 2008 to October 2009, a position he also held with the Venetian Macao Resort from December 2002 to October 2008. He also served as Casino Manager and Vice President of Casino Operations of the Sands Macao from 2000 to 2002. In the Philippines, Mr. Andreaci previously served as Casino Manager of the Subic Bay Resort and casino from January 1993 to June 1994. Mr. Andreaci has also served in various capacities for hotel, casino, gaming and cruise ship companies in Atlantic City, New Jersey, USA, Myanmar, Cambodia, Lao PDR, and Malaysia.

Laurence Upton² — Senior Vice President for International Marketing

Mr. Upton was previously with Crown Ltd, Melbourne as Senior Vice President, VIP International Marketing. He was responsible for developing a marketing office in emerging markets including China, Vietnam, Japan and Korea and other countries in the region. He had also serviced VVIP clients, the world's largest gaming customers including international celebrities. In just two years' time Mr. Upton was able to significantly grow the company's emerging market turnover. He was also previously connected with Star City Pty Ltd in a variety of senior management roles.

Cyrus Sherafat³ — Senior Vice President for Casino Marketing

Mr. Sherafat has 10 years' experience in the gaming industry working in various marketing roles both at local casinos and international integrated resorts. He was the Vice President of Casino Marketing in Marina Bay Sands in Singapore. He is a graduate of Cornell University's School of Hotel Administration. He began his career in the gaming industry with Pinnacle Entertainment, a regional casino operator in the United States.

Lorraine Koo Mann Loo — Senior Vice President for VIP Services

Ms. Koo is the Senior Vice President for VIP Services of the Company. Prior to joining Solaire Resort & Casino, she was the Senior Manager then Assistant Vice President for Casino Customer Service of the Galaxy Entertainment Group in Macau where she handled guest services for both Mass Market and Premium Direct VIP players. She also formerly held the position of Senior Executive Host at Marina Bay Sands in Singapore. Ms. Koo holds a Bachelor of Arts degree in Communications Management from Edith Cowan University in Australia.

Silverio Benny J. Tan — Corporate Secretary

Atty. Tan is the managing partner of the law firm Picazo Buyco Tan Fider & Santos. He is a director and corporate secretary of Prime Metroline, Bravo International Port Holdings Inc., Alpha International Port Holdings Inc., Eiffle House Inc., Cyland Corp., OSA Industries Philippines Inc. and Negros Perfect Circles Food Corp. He is also a director of the following companies: Celestial Corporation, Skywide Assets Ltd., Monte Oro Minerals (SL) Ltd., and Dressline Holdings Inc. and its subsidiaries and affiliates. He is the corporate secretary of several companies including: Mapfre Insular Insurance Corporation, Cebu International Container Terminal Inc., Sureste, BRHI, Lakeland Village Holdings Inc., and Devoncourt Estates Inc. He is the assistant corporate secretary of ICTSI, ICTSI Ltd., and Monte Oro. Atty. Tan holds a Bachelor of Laws, cum laude, from the University of the Philippines College of Law and a Bachelor of Arts Major in Political Science, cum laude, from the University of the Philippines College Iloilo. Atty. Tan placed third in the 1982 Philippine Bar exams.

¹ Retired effective May 9, 2014.

² **Appointed effective March 3, 2014.**

³ Appointed effective March 17, 2014.

Christine Base — Compliance Officer

Atty. Base is the Compliance Officer of the Company. She is currently a Securities, Corporate and Tax Lawyer at Pacis and Reyes, Attorneys and Managing Director of Legis Forum, Inc. She is a director and the corporate secretary of Anchor Land Holdings, Inc. and corporate secretary of Asiasec Equities, Inc., Araneta Properties, Inc. and several private corporations. Previously, she was an auditor and then tax lawyer at SyCip, Gorres, Velayo & Co. She earned her degree of Juris Doctor from Ateneo de Manila University School of Law and passed the Philippine Bar Examination in 1997. She also holds a Bachelor of Science degree in Commerce, major in Accounting from De La Salle University. Atty. Base is also a Certified Public Accountant.

9.1 Significant Employees

No person who is not an executive officer of Bloomberg is expected to make a significant contribution to Bloomberg.

9.2 Family Relationships

Director Christian R. Gonzales is the nephew of Chairman and Chief Executive Officer, Enrique K. Razon, Jr. There are no other family relationships among the directors and officers listed.

9.3 Involvement in Certain Legal Proceedings

The Company is not aware of any of legal cases, which occurred during the past five years that are material to an evaluation of the ability or integrity of any of its directors, executive officers or controlling person.

Item 10. Executive Compensation

The Group paid compensation in 2013 to the President and executive officers named below, as a group, amounting to ~~P~~46.7 million.

Name	Office
Enrique K. Razon Jr.	Chairman of the Board & Chief Executive Officer
Jose Eduardo J. Alarilla	Vice Chairman
Thomas Arasi	Director, President & Chief Operating Officer
Christian R. Gonzalez	Director
Donato C. Almeda	Director
Carlos C. Ejercito	Independent Director
Jon Ramon Aboitiz	Independent Director
Estella Tuason-Occeña	Chief Financial Officer & Treasurer
Dennis Andreaci ¹	Executive Vice President for Gaming
Laurence Upton ²	Senior Vice President for International Marketing
Cyrus Sherafat ³	Senior Vice-President for Casino Marketing
Lorraine Koo Mann Loo	Senior Vice President for VIP Services
Silverio Benny J. Tan	Corporate Secretary
Christine P. Base	Compliance Officer

¹Retired effective May 9, 2014.

²Appointed effective March 3, 2014.

³Appointed effective March 17, 2014.

The following is the breakdown of the aggregate amount of compensation paid to the President and top four (4) executive officers in 2012 and 2013, and estimated to be paid to the President and top four (4) executive officers in 2014 named above (amounts in millions):

	Year	Salary	Bonus	Total
President and Top 4 Executive Officers, as group:	2014 (Estimate)	P 17.9	P 0.6	P 18.5
	2013 (Actual)	20.3	6.7	27.0
	2012 (Actual)	27.0	4.2	31.2
Enrique K. Razon, Jr. – <i>Chairman & Chief Executive Officer</i>				
Thomas Arasi – <i>President & Chief Operating Officer</i>				
Estella T. Occena – <i>Chief Financial Officer & Treasurer</i>				
Dennis Andreaci – <i>Executive Vice President for Gaming</i>				
Lorraine Koo Mann Loo – <i>Senior Vice President for VIP Services</i>				
Michael French – <i>Chief Operating Officer</i> (until September 12, 2013)				
Xingyu (Ed) Chen – <i>Chief Financial Officer</i> (until June 24, 2013)				
All Other Officers and Directors, as a group unnamed	2014 (Estimate)	P14.0	P1.2	P15.2
	2013 (Actual)	17.2	2.5	19.7
	2012 (Actual)	14.4	0.9	15.3

The members of the Board are not expected to receive any compensation in 2014. There are no material terms of any other arrangements or contracts where any director of the Company was compensated or is to be compensated, directly or indirectly, in 2012, 2013 or in the coming year, for any service provided as a director.

Named executives officers are covered by Letters of Appointment, with the Company stating therein their respective terms of employment.

There are no existing compensatory plans or arrangements, including payments to be received from the Company by any named executive officer, upon resignation, retirement or any other

termination of the named executive officer's employment with the Company and its subsidiaries or from a change-in-control of the Company or a change in the named executive officers' responsibilities following a change-in-control.

Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the board of directors. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP is administered by the Stock Incentive Committee (SIC), which is composed of three directors or officers appointed by the BOD. The SIC determines the number of shares to be granted to a participant and other terms and conditions of the grant.

Unissued shares from the authorized capital stock or treasury shares which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

On October 1, 2013, the SIC granted the first stock awards of 5,792,700 shares with a fair value of ₱10.02 per share. The fair value per share is based on the market price of the stock on October 1, 2013. The stock incentive obligation amounting to ₱10.9 million is recognized as part of "Salaries and benefits" under "Operating costs and expenses" in the consolidated financial statements.

Item 11. Security Ownership of Certain Beneficial Owners and Management

As of December 31, 2013, the Company does not know of anyone who beneficially owns in excess of 5% of the Company's common stock except as set forth in the table below:

11.1 Security Ownership of Certain Record and Beneficial Owners

Name	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. ¹	7,584,889,232	71.62%
PCD Nominee Corporation (Non-Filipino)	2,401,271,588	22.68%
PCD Nominee Corporation (Filipino)	562,003,235	5.31%

¹ Enrique K. Razon, Jr. is the beneficial owner of Prime Metroline Holdings, Inc., Quasar Holdings, Inc. & Falcon Investco Holdings Inc.

11.2 Security Ownership of Management as of December 31, 2013

Name	Citizenship	Number of Shares	Percentage of Ownership
Enrique K. Razon, Jr. ¹	Filipino	7,584,889,232	71.62%
Christian R. Gonzalez	Filipino	12,587,000	0.12%
Jon Ramon Aboitiz	Filipino	10,326,033	0.10%
Silverio Benny J. Tan	Filipino	1,980,719	0.02%
Lorraine Koo	Singaporean	500,000	0.00%
Dennis Andreaci	American	335,717	0.00%
Jose Eduardo J. Alarilla	Filipino	100	0.00%
Thomas Arasi	American	100	0.00%

Name	Citizenship	Number of Shares	Percentage of Ownership
Estella Tuason-Occea	Filipino	100	0.00%
Donato C. Almeda	Filipino	100	0.00%
Carlos C. Ejercito	Filipino	100	0.00%

¹ Enrique K. Razon, Jr. is the beneficial owner of Prime Metroline Holdings, Inc., Quasar Holdings, Inc. & Falcon Investco Holdings Inc.

11.3 Voting Trust Holders of 5% or More

None

11.4 Changes in Control

As of December 31, 2011, the Active Alliance, Inc. (now Bloomberg) was a majority-owned subsidiary of Wespac Holdings Incorporated (WHI), a corporation organized and existing under the Philippine laws. On January 26, 2012, PMHI acquired 60,000,000 shares of Active Alliance, Inc., constituting 75% of the outstanding capital stock, from WHI and other stockholders through a cross sale transaction in the PSE.

Item 12. Certain Relationships and Related Transactions

Descriptions and explanations of the related party transactions are disclosed in Note 14, *Related Party Transactions*, to the Annual Audited Consolidated Financial Statements.

Aside from the transactions as disclosed in the Annual Audited Consolidate Financial Statements, the Group does not have any other transactions with its directors, executive officers, security holders or members of their immediate family.

PART IV – CORPORATE GOVERNANCE

Item 13. Corporate Governance

The Company, its Board of Directors, officers and employees strive, through good corporate governance, to enhance the value of the Company and optimize over time the returns to its shareholders by:

- Sound, prudent, and effective management,
- Efficient and effective management information system,
- Effective risk management,
- Reliable financial and operational information,
- Cost effective and profitable business operations, and
- Compliance with laws, rules, regulations and contracts.

The following are measures that the Company has undertaken or will undertake to fully comply with the adopted leading practices on good governance:

1. Manual of Corporate Governance

The Group will review and improve the current Manual of Corporate Governance established and approved in 2012. On March 6, 2013, the Board approved a new Manual of Corporate Governance of the Company. Our current Compliance Officer will continue to coordinate with the Philippine SEC with respect to compliance requirements, monitor compliance with the manual and report any governance-related issues to the Board. The Company commits itself to principles and best practices of governance in the attainment of corporate goals.

2. Board of Directors

Bloomberry's Board has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Group. The Board is responsible for the Company's overall management and direction. The Board will meet regularly on a quarterly basis, or more frequently as required, to review and monitor the Company's project development, future results of operations and financial position. Bloomberry's Amended Articles of Incorporation provide that the Board shall consist of seven (7) directors where two (2) members are Independent Directors: Mr. Jon Ramon Aboitiz and Mr. Carlos C. Ejercito. Except for Mr. Enrique K. Razon, Jr., Mr. Thomas Arasi and Ms. Estella T. Occeña, all members of the Board are non-executive Directors.

Bloomberry's directors are elected at the Annual Stockholders' Meeting. They shall hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

The Attendance of the Directors in the 2013 Board Meetings are as follows:

Name	6 March	16 March	14 May	24 June ¹	14 June	24 June ¹	12 September	13 September	1 October	31 October	29 November	13 December
Enrique K. Razon, Jr	P	P	P	P	P	P	P	P	P	P	P	P
Jose Eduardo J. Alarilla	P	P	P	P	P	P	P	P	P	P	P	P
Christian Martin R. Gonzalez	P	P	P	P	P	P	P	P	P	P	P	A
Estella Tuason-Occena (Director until 10/11/13 only)	P	P	P	P	P	P	P	P	P	N/A	N/A	N/A
Donato C. Almeda	P	P	P	P	P	P	P	P	P	P	P	P
Carlos C. Ejercito	P	P	P	P	P	P	P	P	P	P	P	P
Jon Ramon M. Aboitiz	P	P	P	P	P	P	P	P	P	P	P	P
Thomas Arasi (Elected 10/11/13)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	P	P	P

P – Present A – Absent

¹ Organizational Meeting of the BOD

3. Audit Committee

The Company's Audit Committee is responsible for assisting the Board in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. It provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee is composed of three (3) Board members, including one (1) independent director who serves as the committee chairman. The Committee reports to its Board and is required to meet at least four (4) times a year. As of the date of this report, the Audit Committee Chairman is Mr. Jon Ramon Aboitiz who serves with Mr. Christian R. Gonzalez and Ms. Estella T. Occeña (resigned on July 29, 2013) as members.

4. Nomination Committee

The Board organized the Nomination Committee to review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval and to assess the effectiveness of the Board's processes and procedures in the election or replacement of directors. As of the date of this report, the Nomination Committee Chairman is Mr. Enrique K. Razon, Jr. who serves with Mr. Jose Eduardo J. Alarilla, Mr. Christian R. Gonzalez and Mr. Jon Ramon Aboitiz as members.

5. Compensation and Remuneration Committee

A Compensation and Remuneration Committee was organized by the Board to establish a formal and transparent procedure for developing a policy on remuneration of directors and

officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates. As of the date of this report, the Compensation and Remuneration Committee Chairman is Mr. Eduardo J. Alarilla, who serves with Mr. Carlos C. Ejercito and Ms. Estella T. Occeña (resigned on July 29, 2013) as members.

6. Executive Officers

Bloomberry's Management Team, will be responsible for the day-to-day management and operations of the casino and hotel. The registered address of the Company's executive officers for the moment is Unit 601, 6/F Ecoplaza Building, Chino Roces Avenue Extension, Makati City, Philippines.

7. Independent Audit

Part of the Company's organizational structure is the Internal Audit Department (IAD). The establishment of IAD is a positive step towards good corporate governance. Its purpose, authority and responsibilities will be defined in the Audit Charter, consistent with the definition of Internal Auditing, IIA Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. The Audit Charter will be subject to the approval of the President and the Audit Committee. To ensure its independence, the IAD functionally reports to the Audit Committee of the Board.

8. Management and Reporting Structure

The Board together with the management has developed a reporting structure based on the approved organizational structure of the hotel and casino operation. The reporting structure, which clearly segregates the different operations and functions, will define the responsibilities of each department and will incorporate the proper check and balance within the organization.

9. Continuing Improvements for Corporate Governance

Bloomberry will continue to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

PART V - EXHIBITS AND SCHEDULES

Item 14. Reports on SEC Form 17-C

The following is a summary of submissions of SEC Form 17-C filed during the year 2013:

Date of Report	Item Reported
30 January 2013	Certification n Compliance with Manual of Corporate Governance for 2012
30 January 2013	Certification on Attendance of Directors to Board Meetings in 2012.
20 February 2013	Resignation of Mr. Renato Gonzalez as Vice President of Human Resources and Designation of Mr. Svahn Rivas Officer-in-charge.
6 March 2013	Board approval of Manual of Corporate Governance
12 March 2013	Execution by Sureste Properties Inc. (SPI) and SPI's subsidiary Bloomberry Resorts and Hotels Inc. (BRHI) of a Second Amendment to an Omnibus Loan and Security
14 May 2013	Setting the Date, Venue, Agenda and Record Date for the 2013 Annual Stockholders' Meeting
15 May 2013	Press Release Re: 1Q2013 Financial Performance
14 June 2013	Board Approval of the Amendment of the Second Article of the Corporation's Articles of Incorporation
24 June 2013	Results of 2013 Annual Stockholders' Meeting
24 June 2013	Resignation of Mr. Xingyu Chen as Senior Vice-President and Chief Financial Officer
30 July 2013	Press Release Re: 2Q2013 Financial Performance
12 September 2013	Termination of Management Services Agreement with Global Gaming Philippines LLC ("GGAM")
13 September 2013	Receipt of Notice of Arbitration from GGAM's Counsel
13 September 2013	Reconstitution of Compensation Committee and Constitution of Stock Incentive Plan Committee
1 October 2013	Resignation of Ms. Estella-Tuason Occeña as Director and Mr. Enrique K. Razon, Jr. as president, Appointment of Mr. Thomas Arasi as Director and President, Appointment of Mr. Paul Salanga as Assistant Corporate Secretary
4 November 2013	Press Release Re: 3Q2013 Financial Performance
29 November 2013	Appointment of Mr. Dennis Andreaci as Executive Vice-President of Gaming and Ms. Lorraine Koo as Senior Vice-President of VIP Services
17 December 2013	Termination of Services of Mr. Benjamin Lee as Senior Vice President of International Marketing

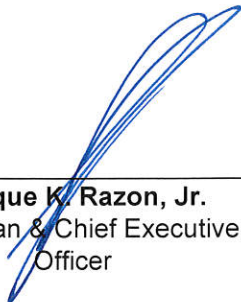
SIGNATURES

Pursuant to the requirements of Section 17 of the SRC and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, duly authorized, in the City of Makati on March 26, 2014.

Bloomberry Resorts Corporation

Issuer

By:


Enrique K. Razon, Jr.
 Chairman & Chief Executive Officer

Date: March 26, 2014


Thomas Arasi
 Director, President & Chief Operating Officer

Date: March 26, 2014


Estella Tuason Occena
 Chief Financial Officer & Treasurer

Date: March 26, 2014


Silverio Benny J. Tan
 Corporate Secretary

Date: March 26, 2014

SUBSCRIBED AND SWORN to before me this 26 MAR 2014 day of _____ 2014 affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon Jr.	EB2218606	11 April 2011	Manila
Thomas Arasi	486967802	22 November 2011	U.S.A
Estella Tuason Occena	EA0031480	15 February 2010	Manila
Silverio Benny J. Tan	EB1758456	20 January 2011	Manila

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 Book No. 45
 Page No. 11
 Series of 2014


FATIMA FAYE C. HADLOCON
 Appointment No. M-580
 Notary Public for Makati City
 Until December 31, 2014
 Penthouse, Liberty Center
 104 H.V. dela Costa Street
 Salcedo Village, Makati City
 Roll of Notaries No. 62670
 PTD No. 4234299 Makati City/01-09-2014
 IBP No. 945307/Makati City/01-07-2014

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Report of Independent Auditors		F2
Consolidated Statements of Financial Position as of December 31, 2013 and 2012		F3
Consolidated Statements of Comprehensive Income for the Years Ended December 31, 2013, 2012 and 2011		F4
Consolidated Statements of Changes in Equity for the Years Ended December 31, 2013, 2012 and 2011		F5
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*These schedules, which are required by Part II of SRC Rule 68, As Amended (2011) are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.



Bloomberg Resorts Corporation

March 26, 2014


The Securities and Exchange Commission
SEC Building, EDSA, Greenhills
Mandaluyong City

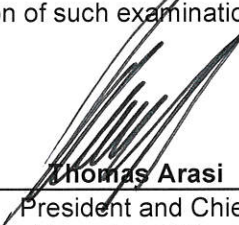
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

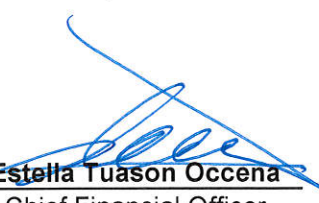
The management of **Bloomberg Resorts Corporation** is responsible for the preparation and fair presentation of the consolidated financial statements for the years ended December 31, 2013, 2012 and 2011, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the consolidated financial statements and submits the same to the stockholders.

Sycip, Gorres, Velayo & Co., the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the company in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such examination.


Enrique K. Razon, Jr.
Chairman and Chief
Executive Officer



Thomas Arasi
President and Chief
Executive Officer


Estella Tuason Occena
Chief Financial Officer
and Treasurer

SUBSCRIBED AND SWORN to before me this 27 MAR 2014 day of _____, affiant(s) exhibiting to me their Passports, as follows:

NAMES	PASSPORT. NO.	DATE OF ISSUE	PLACE OF ISSUE
Enrique K. Razon Jr.	EB2218606	11 April 2011	Manila
Thomas Arasi	486967802	22 November 2011	U.S.A
Estella Tuason Occena	EA0031480	15 February 2010	Manila

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Page No. 7
Book No. III
Series of 2014


KARICHI E. SANTOS
Appointment No. M-590
Notary Public for Makati City
Until December 31, 2014
Penhouse, Liberty Center
109 H.V. dela Costa Street
Subedo Village, Makati City
Roll of Attorneys No. 62127
PTR No. 4016199/Makati City/01-09-2014
L.P. No. 946299-RSM/01-07-2014

INDEPENDENT AUDITORS' REPORT

The Stockholders and the Board of Directors
Bloomberry Resorts Corporation
Unit 601, 6th Floor, Ecoplaza Bldg.
Chino Roces Ave. Ext.
Makati City

We have audited the accompanying consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (a subsidiary of Prime Metroline Holdings, Inc.), which comprise the consolidated statements of financial position as at December 31, 2013 and 2012, and the consolidated statements of comprehensive income, statements of changes in equity and statements of cash flows for each of the three years in the period ended December 31, 2013, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

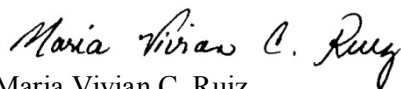
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Bloomberry Resorts Corporation and its subsidiaries as at December 31, 2013 and 2012, and their financial performance and their cash flows for each of the three years in the period ended December 31, 2013 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.



Maria Vivian C. Ruiz

Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225211, January 2, 2014, Makati City

March 26, 2014



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(A Subsidiary of Prime Metroline Holdings, Inc.)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	December 31	
	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 4 and 21)	₱6,092,239,439	₱7,836,932,348
Current portion of restricted cash (Notes 8 and 21)	16,625,108	42,832,595
Receivables (Notes 5 and 21)	2,514,835,718	36,104,181
Inventories (Note 6)	190,335,830	633,396
Prepayments and other current assets (Notes 7, 19 and 21)	245,082,069	139,454,372
Total Current Assets	9,059,118,164	8,055,956,892
Noncurrent Assets		
Restricted cash - net of current portion (Notes 8 and 21)	2,254,801,647	2,182,037,610
Advances to contractors (Note 9)	1,122,604,556	3,439,011,003
Project development costs (Notes 9 and 13)	4,107,769,095	14,715,961,920
Property and equipment (Note 10)	23,243,559,711	175,165,970
Deferred tax assets - net (Note 20)	—	86,192,911
Other noncurrent assets (Notes 11 and 21)	559,115,499	141,721,877
Total Noncurrent Assets	31,287,850,508	20,740,091,291
	₱40,346,968,672	₱28,796,048,183
LIABILITIES AND EQUITY		
Current Liabilities		
Payables and other current liabilities (Notes 12 and 21)	₱6,565,866,184	₱3,259,781,507
Current portion of long-term debt (Notes 13 and 21)	1,019,430,237	—
Total Current Liabilities	7,585,296,421	3,259,781,507
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 13 and 21)	16,613,159,586	8,176,106,582
Deferred tax liabilities - net (Note 20)	68,215,885	—
Accrued rent - net of current portion (Note 12)	—	11,758,247
Retirement liability and other noncurrent liabilities (Note 15)	47,384,500	11,765,800
Total Noncurrent Liabilities	16,728,759,971	8,199,630,629
Total Liabilities	24,314,056,392	11,459,412,136
Equity Attributable to Equity Holders of the Parent Company		
Capital stock (Notes 1 and 16)	10,589,800,556	10,589,800,556
Additional paid-in capital (Note 16)	7,948,329,736	7,948,329,736
Equity reserve (Note 2)	(27,138,558)	(27,138,558)
Share-based payment plan (Note 16)	10,883,035	—
Deficit (Note 16)	(2,488,964,831)	(1,174,355,687)
Total Equity Attributable to Equity Holders of the Parent Company	16,032,909,938	17,336,636,047
Equity Attributable to Non-controlling Interests	2,342	—
Total Equity	16,032,912,280	17,336,636,047
	₱40,346,968,672	₱28,796,048,183

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(A Subsidiary of Prime Metroline Holdings, Inc.)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2013	2012	2011 (Note 2)
REVENUES			
Gaming (Note 19)	₱11,464,047,689	₱—	₱—
Hotel, food and beverage	767,593,410	—	—
Interest income (Notes 4 and 8)	53,646,806	195,599,816	69,005,571
Gain on sale of investment in an associate (Note 11)	—	—	72,329,595
Retail and others (Note 18)	58,694,637	—	4,345,277
	12,343,982,542	195,599,816	145,680,443
COSTS AND EXPENSES			
Operating costs and expenses (Note 17)	13,265,098,802	819,357,609	149,202,171
Interest expense (Note 13)	371,030,034	—	—
Foreign exchange losses (gains) - net (Note 21)	(187,466,625)	115,780,579	393,846
Mark-to-market loss (Note 13)	55,462,138	16,838,284	—
Equity in net losses of an associate (Note 11)	—	—	9,933,136
	13,504,124,349	951,976,472	159,529,153
LOSS BEFORE INCOME TAX	(1,160,141,807)	(756,376,656)	(13,848,710)
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 20)	154,948,159	(68,437,939)	(16,508,414)
NET INCOME (LOSS)	(1,315,089,966)	(687,938,717)	2,659,704
OTHER COMPREHENSIVE LOSS			
Item that will not be reclassified to profit or loss in subsequent period -			
Actuarial loss (Note 15)	(58,541)	—	—
Income tax effect	539,363	—	—
	480,822	—	—
TOTAL COMPREHENSIVE INCOME (LOSS)	(₱1,314,609,144)	(₱687,938,717)	₱2,659,704
Net Income (Loss) Attributable To			
Equity holders of the Parent Company	(₱1,315,089,966)	(₱687,938,717)	₱2,659,704
Non-controlling interests	—	—	—
	(₱1,315,089,966)	(₱687,938,717)	₱2,659,704
Total Comprehensive Income (Loss) Attributable To			
Equity holders of the Parent Company	(₱1,314,609,144)	(₱687,938,717)	₱2,659,704
Non-controlling interests	—	—	—
	(₱1,314,609,144)	(₱687,938,717)	₱2,659,704
Earnings (Loss) Per Share on Net Income (Loss)			
Attributable to Equity Holders of the Parent Company (Note 22)			
Basic	(₱0.124)	(₱0.070)	₱0.001
Diluted	(₱0.124)	(₱0.070)	₱0.001

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(A Subsidiary of Prime Metroline Holdings, Inc.)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013, 2012 AND 2011

	Equity Attributable to Equity Holders of the Parent Company						Equity Attributable to Non-controlling		Total Equity
	Capital Stock	Additional Paid-in Capital	Equity Reserve	Share-based Payment Plan	Cumulative Actuarial Loss	Deficit	Total	Interests	
Balances at January 1, 2013	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱—	₱—	(₱1,174,355,687)	₱17,336,636,047	₱—	₱17,336,636,047
Net loss	—	—	—	—	—	(1,315,089,966)	(1,315,089,966)	—	(1,315,089,966)
Other comprehensive loss (Note 15)	—	—	—	—	480,822	—	480,822	—	480,822
Total comprehensive loss	—	—	—	—	480,822	(1,315,089,966)	(1,314,609,144)	—	(1,314,609,144)
Share-based payments	—	—	—	10,883,035	—	—	10,883,035	—	10,883,035
Remeasurement loss on defined benefit plan transferred to retained earnings	—	—	—	—	(480,822)	480,822	—	—	—
Issuance of capital stock to non-controlling interests	—	—	—	—	—	—	—	2,342	2,342
Balances at December 31, 2013	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱10,883,035	₱—	(₱2,488,964,831)	₱16,032,909,938	₱2,342	₱16,032,912,280
Balances at January 1, 2012	₱80,000,000	₱—	₱5,755,949,217	₱—	₱—	(₱486,416,970)	₱5,349,532,247	₱—	₱5,349,532,247
Net loss	—	—	—	—	—	(687,938,717)	(687,938,717)	—	(687,938,717)
Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive loss	—	—	—	—	—	(687,938,717)	(687,938,717)	—	(687,938,717)
Issuance of capital stock (Note 16)	10,509,800,556	7,948,329,736	—	—	—	—	18,458,130,292	—	18,458,130,292
Movement in equity reserve	—	—	(5,783,087,775)	—	—	—	(5,783,087,775)	—	(5,783,087,775)
Balances at December 31, 2012	₱10,589,800,556	₱7,948,329,736	(₱27,138,558)	₱—	₱—	(₱1,174,355,687)	₱17,336,636,047	₱—	₱17,336,636,047
Balances at January 1, 2011	₱80,000,000	₱—	₱5,769,746,670	₱—	₱—	₱198,286,286	₱6,048,032,956	₱—	₱6,048,032,956
Net income	—	—	—	—	—	2,659,704	2,659,704	—	2,659,704
Other comprehensive income	—	—	—	—	—	—	—	—	—
Total comprehensive income	—	—	—	—	—	2,659,704	2,659,704	—	2,659,704
Movement in equity reserve	—	—	(13,797,453)	—	—	—	(13,797,453)	—	(13,797,453)
Dividend declaration (Note 16)	—	—	—	—	—	(687,362,960)	(687,362,960)	—	(687,362,960)
Balances at December 31, 2011	₱80,000,000	₱—	₱5,755,949,217	₱—	₱—	(₱486,416,970)	₱5,349,532,247	₱—	₱5,349,532,247

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(A Subsidiary of Prime Metroline Holdings, Inc.)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2013	2012	2011 (Note 2)
CASH FLOWS FROM OPERATING ACTIVITIES			
Loss before income tax	(P1,160,141,807)	(P756,376,656)	(P13,848,710)
Adjustments for:			
Interest income (Notes 4 and 8)	(53,646,805)	(195,599,816)	(69,005,571)
Unrealized foreign exchange (gains) losses - net	(199,753,133)	115,780,579	393,846
Depreciation and amortization (Notes 10, 11, 16 and 17)	2,039,223,501	33,923,083	5,443,215
Provision for doubtful accounts (Note 5)	532,705,442		
Mark-to-market loss (Note 13)	55,462,138	16,838,284	—
Share-based payment expense (Note 16)	10,883,035	—	—
Retirement expense (Note 15)	35,560,159	11,765,800	—
Interest expense (Note 13)	371,030,034	—	—
Loss on retirement of property and equipment (Note 10)	798,617	—	—
Equity in net losses (gains) of an associate (Note 11)	—	—	9,933,136
Gain on sale of investment in an associate (Note 11)	—	—	(72,329,595)
Operating income (loss) before working capital changes	1,632,121,181	(773,668,726)	(139,413,679)
Decrease (increase) in:			
Receivables	(2,924,281,420)	(34,151,124)	134,914
Inventories	(189,702,434)	—	—
Prepayments and other current assets	(123,141,205)	(54,855,025)	(13,256,186)
Due from related parties	—	319,716,760	435,116,551
Increase in payables and other current liabilities	3,277,362,687	949,901,949	243,049,250
Net cash generated from operations	1,672,358,809	406,943,834	525,630,850
Interest received	58,021,084	198,046,325	66,532,586
Income taxes paid	—	(70,106)	—
Net cash provided by operating activities	1,730,379,893	604,920,053	592,163,436
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property and equipment (Note 10)	(7,819,448,496)	(192,525,529)	(11,854,442)
Decrease (increase) in:			
Project development costs	(2,956,956,906)	(8,634,543,610)	(3,776,581,182)
Advances to contractors	(1,057,340,309)	(3,324,702,436)	114,310,563
Investment in an associate and other noncurrent assets	(575,369,277)	(47,279,148)	(320,574,004)
Restricted cash - net of current portion	(72,764,037)	(35,273,095)	1,594,188,254
Payment for acquisition of Sureste (Note 1)	—	(5,865,496,700)	—
Cash acquired from acquisition of Sureste	—	81,551,355	—
Proceeds from sale of investment in an associate (Note 11)	—	—	227,493,710
Net cash used in investing activities	(12,481,879,025)	(18,018,269,163)	(2,173,017,101)

(Forward)



	Years Ended December 31		
	2013	2012	2011 (Note 2)
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from availment of loans	₱9,380,331,202	₱5,670,576,216	₱2,422,059,447
Interest paid	(507,830,728)	—	—
Net proceeds from issuance of capital stock to non-controlling interest	2,342		
Net proceeds from issuance of capital stock	—	18,458,130,292	—
Stock issue cost on issuance of legal subsidiaries' capital stock	—	—	(29,547,483)
Additional deposit for future stock subscription of legal subsidiary	—	—	15,750,030
Decrease in other noncurrent liability	—	—	(3,896,939)
Net cash provided by financing activities	8,872,502,816	24,128,706,508	2,404,365,055
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	108,095,920	(7,965,198)	(393,846)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,770,900,396)	6,707,392,200	823,117,544
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR			
Cash and cash equivalents (Note 4)	7,836,932,348	573,299,664	237,620,215
Current portion of restricted cash (Notes 2 and 8)	42,832,595	599,073,079	111,634,984
	7,879,764,943	1,172,372,743	349,255,199
CASH AND CASH EQUIVALENTS AT END OF YEAR			
Cash and cash equivalents (Note 4)	6,092,239,439	7,836,932,348	573,299,664
Current portion of restricted cash (Notes 2 and 8)	16,625,108	42,832,595	599,073,079
	₱6,108,864,547	₱7,879,764,943	₱1,172,372,743

See accompanying Notes to Consolidated Financial Statements.



BLOOMBERRY RESORTS CORPORATION AND SUBSIDIARIES
(A Subsidiary of Prime Metroline Holdings, Inc.)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Organization and Business

a. Corporate Information

Bloomberry Resorts Corporation (referred to as “Bloomberry” or “Parent Company”), was incorporated in the Philippines and registered with the Securities and Exchange Commission (SEC) on May 3, 1999 until 2003. Bloomberry was mainly engaged in the manufacture and distribution of consumer communication and electronic equipment and operated within the Subic Bay Freeport Zone (SBFZ) under Subic Bay Metropolitan Authority (SBMA) rules and regulations under Republic Act (R.A) No. 7227, otherwise known as the “Bases Conversion and Development Act of 1992”. Effective December 14, 2009, the lease agreement between Bloomberry and SBMA was mutually rescinded.

Bloomberry’s shares of stock are publicly traded in the Philippine Stock Exchange (PSE).

The Parent Company’s registered office address is at Unit 601, 6th Floor Ecoplaza Bldg., Chino Roces Ave. Ext., Makati City.

The consolidated financial statements have been approved and authorized for issuance by the Board of Directors (BOD) on March 26, 2014.

b. Change in Ownership of Bloomberry

As of December 31, 2011, Bloomberry was a majority - owned subsidiary of Wespac Holdings Incorporated (WHI), a corporation organized and existing under Philippine laws.

On January 26, 2012, Prime Metroline Holdings, Inc. (PMHI, formerly Prime Metroline Transit Corporation) acquired 60,000,000 shares of Bloomberry, constituting 75% of its outstanding capital stock, from WHI and other shareholders through a cross sale transaction in the PSE.

On February 27, 2012, the SEC approved the increase in Bloomberry’s authorized capital stock to ₱15.0 billion divided into 15.0 billion shares with par value of ₱1 per share and the following amendments in its articles of incorporation, among others: change in the corporate name from Active Alliance, Incorporated to Bloomberry Resorts Corporation and change in the primary purpose to that of a holding company.

As of December 31, 2013 and 2012, PMHI (the ultimate parent company) owns 60.51% of Bloomberry (see Note 16).

c. Subsidiaries of Bloomberry

On February 6, 2012, PMHI sold 100% of its ownership interest in Sureste Properties, Inc. (Sureste) to Bloomberry for ₱5.9 billion. Consequently, Bloomberry’s subsidiaries include Sureste and its wholly-owned subsidiary, Bloomberry Resorts and Hotels Inc. (BRHI) (collectively referred to as “the Group”) (see Note 2).

Sureste was incorporated in the Philippines and was registered with the SEC on April 16, 1993. Its wholly-owned subsidiary, BRHI, was incorporated in the Philippines and registered



with the SEC on February 27, 2008. The primary purpose of Sureste and BRHI is to develop and operate tourist facilities, including hotel-casino entertainment complexes with hotel, retail, amusement areas and themed development components.

In 2013, Bloomberry subscribed to 60% of the common stock of Bloom Capital B.V., a financial holding entity incorporated in the Netherlands as a private company with limited liability under the Dutch law on November 21, 2013.

d. Status of Operations

The Philippine Amusement and Gaming Corporation (PAGCOR) has granted BRHI the Provisional License on April 8, 2009 to develop an integrated casino, hotel and entertainment complex within Entertainment City (the “Project”). BRHI is one of four licensees for Entertainment City. Prior to the development of integrated resorts in the Philippines, only PAGCOR-operated casinos and six private casinos in special economic zones were allowed to operate in the country. BRHI’s Provisional License will be replaced with a regular casino gaming license upon full completion of the Project, referred to as “Solaire”, and upon PAGCOR’s approval of a final report. The Provisional License, as well as any regular license to be issued to replace it, is concurrent with PAGCOR’s congressional franchise. PAGCOR’s franchise will expire on July 11, 2033 and may be renewed by law.

Solaire is one of the Philippines’ first premium/luxury hotel and gaming resort. The 8.3-hectare gaming and integrated resort complex along Asean Avenue in Parañaque City is the first casino to operate within Entertainment City. BRHI, as the license holder, operates the casino while Sureste operates the hotel business.

On March 16, 2013, the Group commenced commercial operations, upon completion of Phase 1 of Solaire, along with the opening of the main gaming area and initial non-gaming amenities, such as Solaire’s hotel, food and beverage outlets.

The Group is currently undertaking the construction of the next phase of Solaire, referred to as “Phase 1A”. It will comprise additional tables and slot machines, an all-suite boutique hotel tower, additional food and beverage offerings, a retail promenade, a performance theatre, a night club and additional parking spaces.

2. Summary of Significant Accounting Policies and Disclosures

Basis of Preparation

The consolidated financial statements have been prepared under the historical cost basis except for derivative assets which have been measured at fair value. The consolidated financial statements are presented in Philippine Peso, the functional and presentation currency of the Parent Company and its subsidiaries, and all values are rounded to the nearest peso, except when otherwise indicated.

Basis of Consolidation

The consolidated financial statements include the financial statements of Bloomberry, Bloom Capital B.V. and Sureste and its subsidiary, BRHI.

On February 6, 2012, Bloomberry completed the acquisition of Sureste from PMHI through a cash transaction (see Note 1c). Sureste, a subsidiary of PMHI, was deemed to be the accounting acquirer for accounting purposes under the principles of Philippine Financial Reporting Standards



(PFRS) 3, *Business Combinations*. The acquisition was accounted for similar to a reverse acquisition following the guidance provided by the standard. In a reverse acquisition, the legal parent is identified as the acquiree for accounting purposes because based on the substance of the transaction, the legal subsidiary is adjudged to be the entity that gained control over the legal parent. Accordingly, the consolidated financial statements of Bloomberry have been prepared as a continuation of the consolidated financial statements of Sureste. Sureste has accounted for the accounting acquisition of Bloomberry on January 26, 2012 which was the date when PMHI acquired Bloomberry (see Note 1b).

Reverse acquisition applies only to the consolidated financial statements. The parent company financial statements as of and for the years ended December 31, 2013, 2012 and 2011 will continue to represent Bloomberry as a stand-alone entity.

As of December 31, 2013 and 2012, subsidiaries of Bloomberry include:

	Effective Percentage of Ownership	
	2013	2012
Sureste	100	100
BRHI	100	100
Bloom Capital B.V.	60	—

The financial statements of subsidiaries are prepared for the same reporting period as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances. Intercompany balances and transactions are eliminated in full.

Statement of Compliance

The Group's consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards (PFRS). PFRS include statements named PFRS and Philippine Accounting Standards (PAS), and Philippine Interpretations based on equivalent interpretations of International Financial Reporting Interpretations Committee (IFRIC) issued by the Philippine Financial Reporting Standards Council (FRSC).

Changes in Accounting Policies and Disclosures

The Group's accounting policies are consistent with those of the previous financial year, except for adoption of the following new and revised standards, interpretations and amendments to existing PFRS effective January 1, 2013.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income or OCI (Amendments)*. The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The amendments affect presentation only and have no impact on the Group's financial position or performance.
- Amendments to PAS 19, *Employee Benefits*. Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and re-wording. The amendment to PAS 19 has no impact to the Group since the Group has just started recognizing their retirement expense and the related liability, having commenced commercial operations only in March 2013. The Group's retirement expense and the related liability arising from the computation based on the



old PAS 19 and the amended standard is the same. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 27, *Separate Financial Statements* (as revised in 2011). As a consequence of the new PFRS 10, *Consolidated Financial Statement* and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements. The Group will consider the changes in its separate financial statements.
- PAS 28, *Investments in Associates and Joint Ventures* (as revised in 2011). As a consequence of the new PFRS 11, *Joint Arrangements* and PFRS 12, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of this standard has no impact on the consolidated financial statements of the Group.
- Amendments to PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities*. These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:
 - a. The gross amounts of those recognized financial assets and recognized financial liabilities;
 - b. The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
 - c. The net amounts presented in the statement of financial position;
 - d. The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
 - i) Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
 - ii) Amounts related to financial collateral (including cash collateral); and
 - e. The net amount after deducting the amounts in (d) from the amounts in (c) above.

The amendments to PFRS 7 are to be retrospectively applied for annual periods beginning on or after January 1, 2013. The amendment has no impact on the Group's financial position or performance.

- PFRS 10, *Consolidated Financial Statements*. PFRS 10 replaces the portion of PAS 27, *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in SIC-12, *Consolidation - Special Purpose Entities*. PFRS 10 establishes a single control model that applies to all entities including special purpose entities. The changes introduced by PFRS 10 will require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of this standard has no impact on the consolidated financial statements of the Group.



- PFRS 11, *Joint Arrangements*. PFRS 11 replaces PAS 31, *Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers*. PFRS 11 removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, JCEs that meet the definition of a joint venture must be accounted for using the equity method. The adoption of this standard has no impact on the consolidated financial statements of the Group.
- PFRS 12, *Disclosure of Interests with Other Entities*. PFRS 12 includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosures that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required. The adoption of this standard has no impact on the consolidated financial statements of the Group.
- PFRS 13, *Fair Value Measurement*. PFRS 13 establishes a single source of guidance under PFRS for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted. The adoption of this standard has no impact on the consolidated financial statements of the Group.
- Improvements to PFRSs (effective for annual periods beginning on or after January 1, 2013, with retrospective application)

- PFRS 1, *First-time Adoption of PFRS - Borrowing Costs*

The amendment clarifies that, upon adoption of PFRS, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRS, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRS.

- PAS 1, *Presentation of Financial Statements - Clarification of the Requirements for Comparative Information*

The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments have no impact on the consolidated financial statements of the Group.



– PAS 16, *Property, Plant and Equipment - Classification of Servicing Equipment*

The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment has no impact on the Group's financial position or performance.

– PAS 32, *Financial Instruments: Presentation - Tax Effect of Distribution to Holders of Equity Instruments*

The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, *Income Taxes*. This amendment has no impact on the Group's financial position or performance.

– PAS 34, *Interim Financial Reporting - Interim Financial Reporting and Segment Information for Total Assets and Liabilities*

The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment has no impact on the Group's financial position or performance.

Segment Information Disclosure

In the December 31, 2012 consolidated financial statements, the Group reported the hotel and the casino as two separate operating segments. With the commencement of commercial operations in 2013, management views the hotel and casino businesses as one integrated business segment. A single management team reports to the chief operating decision-maker who comprehensively manages the entire business. Accordingly, the Group does not have separate reportable segments. As a result, prior year disclosures under PFRS 8, Operating Segments, were revised to reflect the new business segment (see Note 24).

Standards Issued But Not Yet Effective

The Group will adopt the following new standard, interpretation and amendments to existing standards when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new standard, interpretation and amendments to PFRS to have a significant impact on the consolidated financial statements.

Effective in 2014

- PAS 19, *Employee Benefits – Defined Benefit Plans: Employee Contributions (Amendments)*. The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans. The amendments to PAS 19 are to be retrospectively applied for annual periods beginning on or after July 1, 2014. The amendment has no impact on the Group's financial position or performance.



- Amendments to PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial liabilities*. These amendments to PAS 32 clarify the meaning of “currently has a legally enforceable right to set-off” and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. While the amendment is expected not to have any impact on the net assets of the Group, any changes in offsetting is expected to impact leverage ratios and regulatory capital requirements. The Group is currently assessing impact of the amendments to PAS 32. The amendments to PAS 32 are to be retrospectively applied for annual periods beginning on or after January 1, 2014.
- PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*. These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively for annual periods beginning on or after January 1, 2014 with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group’s financial position or performance.
- PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*. These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. These amendments are effective for annual periods beginning on or after January 1, 2014.
- *Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)*. These amendments are effective for annual periods beginning on or after January 1, 2014. They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10. The amendments have no impact on the Group’s financial position or performance.
- *Philippine Interpretation IFRIC 21, Levies (IFRIC 21)*. IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. IFRIC 21 is effective for annual periods beginning on or after January 1, 2014. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements. The amendments have no impact on the Group’s financial position or performance.
- Annual Improvements to PFRSs (2010-2012 cycle). The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:
 - PFRS 2, *Share-based Payment – Definition of Vesting Condition*

The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. The Group will assess the impact of this amendment.



- PFRS 3, *Business Combinations – Accounting for Contingent Consideration in a Business Combination*

The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted). The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.

- PFRS 8, *Operating Segments – Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*

The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance. The amendment has no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement – Short-term Receivables and Payables*

The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment has no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment – Revaluation Method – Proportionate Restatement of Accumulated Depreciation*

The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.



- PAS 24, *Related Party Disclosures – Key Management Personnel*

The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 38, *Intangible Assets – Revaluation Method – Proportionate Restatement of Accumulated Amortization*

The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:

- a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
- b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

- Annual Improvements to PFRSs (2011-2013 cycle). The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards – Meaning of 'Effective PFRSs'*

The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.



– PFRS 3, *Business Combinations – Scope Exceptions for Joint Arrangements*

The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.

– PFRS 13, *Fair Value Measurement – Portfolio Exception*

The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

– PAS 40, *Investment Property*

The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

Deferred Effectivity

- Philippine Interpretation IFRIC 15, *Agreements for the Construction of Real Estate*. This interpretation covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. The interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11, *Construction Contracts*, or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The SEC and the FRSC have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed. The Group expects that this standard will have no impact on the Group's financial position and performance.

No Mandatory Effective Date

- PFRS 9, *Financial Instruments*. PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to



collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities.

On hedge accounting, PFRS 9 replaces the rules-based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.

PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The Group will not adopt the standard before the completion of the limited amendments and the second phase of the project.

Significant Accounting Policies

Financial Instruments

Date of recognition

Financial instruments within the scope of PAS 39 are recognized in the consolidated statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace are recognized using trade date accounting.

Initial recognition of financial instruments

All financial instruments are initially recognized at fair value. The initial measurement of financial instruments includes transaction costs, except for financial instruments at fair value through profit or loss (FVPL). The Group classifies its financial assets in the following categories: financial assets at FVPL, held-to-maturity (HTM) investments, available-for-sale (AFS) financial assets, and loans and receivables. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The classification depends on the purpose for which the investments were acquired or liabilities incurred and whether they are



quoted in an active market. Management determines the classification of its instruments at initial recognition and, where allowed and appropriate, re-evaluates such designation at every financial reporting date.

Determination of fair value

The fair value for financial instruments traded in active markets at financial reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction. For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques.

“Day 1” difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a “Day 1” difference) in the consolidated statement of comprehensive income, unless it qualifies for recognition as some other type of asset or liability. In cases where data which is not observable are used, the difference between the transaction price and model value is only recognized in the consolidated statement of comprehensive income when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the “Day 1” difference amount.

Financial assets and liabilities at FVPL

Financial assets and liabilities at FVPL include financial assets and liabilities held for trading purposes and financial assets and liabilities designated upon initial recognition as at FVPL.

Financial assets and liabilities are classified as held for trading if these are acquired for the purposes of selling and repurchasing in the near term.

Derivatives, including any separated embedded derivatives, are also classified under financial assets or liabilities at FVPL, unless these are designated as hedging instruments in an effective hedge.

Financial assets or liabilities may be designated by management on initial recognition as at FVPL when any of the following criteria are met:

- the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis;
- the assets and liabilities are part of a group of financial assets, liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.



Financial assets and liabilities at FVPL are recorded in the consolidated statement of financial position at fair value. Subsequent changes in fair value are recognized in the consolidated statement of comprehensive income. Interest earned or incurred is recorded as interest income or expense, respectively, while dividend income is recorded as other income when the right to receive payment has been established.

Derivatives embedded in host contracts are accounted for as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not carried at fair value. These embedded derivatives are measured at fair value with gains or losses arising from changes in fair value recognized in the consolidated statement of comprehensive income. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

The Group's derivative asset arising from the loan prepayment option is classified as financial assets at FVPL as of December 31, 2013 and 2012. The Group has no financial liability at FVPL as of December 31, 2013 and 2012 (see Note 21).

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified or designated as AFS financial assets or financial assets at FVPL. Loans and receivables are classified as current assets if maturity is within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, loans and receivables are subsequently measured at amortized cost using the effective interest rate (EIR) method, less allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. Interest earned or incurred is recognized as "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the loans and receivables are derecognized and impaired, as well as through the amortization process.

The Group's cash and cash equivalents, receivables (excluding advances to officers and employees), restricted cash and security deposit are classified as loans and receivables (see Note 21).

HTM investments

HTM investments are quoted non-derivative financial assets with fixed or determinable payments and fixed maturities for which the Group's management has the positive intention and ability to hold to maturity. Where the Group sells other than an insignificant amount of HTM investments, the entire category would be tainted and reclassified as AFS financial assets. After initial recognition, these investments are subsequently measured at amortized cost using the EIR method, less any impairment in value. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral parts of the EIR. Interest earned or incurred is recognized in "Interest income" in the consolidated statement of comprehensive income. Gains and losses are recognized in the consolidated statement of comprehensive income when the HTM investments are derecognized and impaired, as well as through the amortization process. The effects of restatement on foreign currency-denominated HTM investments are also recognized in the consolidated statement of comprehensive income.

The Group has no HTM investments as of December 31, 2013 and 2012.



AFS financial assets

AFS financial assets are those non-derivative financial assets which are designated as such or do not qualify to be classified in any of the three preceding categories. These are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. AFS financial assets are classified as current assets if management intends to sell these financial assets within 12 months from financial reporting date. Otherwise, these are classified as noncurrent assets.

After initial recognition, AFS financial assets are subsequently measured at fair value, with unrealized gains and losses being recognized as other comprehensive income account until the investment is derecognized or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in other comprehensive income reserve account is recognized in the consolidated statement of comprehensive income. The Group uses the specific identification method in determining the cost of securities sold. Interest earned on holding AFS debt securities is included under "Interest income" using the EIR method in the consolidated statement of comprehensive income. Dividends earned on holding AFS equity investments are recognized in the consolidated statement of comprehensive income when the right of payment has been established.

The Group has no AFS assets as of December 31, 2013 and 2012.

Other financial liabilities

This category pertains to financial liabilities that are not held for trading or not designated as at FVPL upon the inception of the liability. These include liabilities arising from operations or borrowings. Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, other financial liabilities are subsequently measured at amortized cost using the EIR method.

Gains and losses are recognized in the consolidated statement of comprehensive income when the liabilities are derecognized as well as through the EIR amortization process. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are integral part of the EIR. The EIR amortization is included the consolidated statement of comprehensive income.

Other financial liabilities include payables and other current liabilities and long-term debt as of December 31, 2013 and 2012 (see Note 21).

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented at gross amounts in the consolidated statement of financial position.

Impairment of Financial Assets

The Group assesses at each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may



include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that the debtor will enter bankruptcy or other financial reorganization and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortized cost

For financial assets at amortized cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The estimated future cash flows is discounted at the financial asset's original EIR. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current EIR. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the consolidated statement of comprehensive income. Interest income continues to be accrued on the reduced carrying amount based on the original EIR of the asset. The financial asset together with the associated allowance are written-off when there is no realistic prospect of future recovery and all collateral has been realized or has been transferred to the Group. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. Any subsequent reversal of an impairment loss is recognized in our consolidated statement of comprehensive income, to the extent that the carrying value of the asset does not exceed its original amortized cost at the reversal date. If a future write-off is later recovered, the recovery is recognized in the consolidated statement of comprehensive income.

Derecognition of Financial Assets and Liabilities

Financial assets

A financial asset (or where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when: (1) the rights to receive cash flows from the asset have expired; or (2) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either: (a) the Group has transferred substantially all the risks and rewards of the asset; or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a "pass-through" arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, a new asset is recognized to the extent of the Group's continuing involvement in the asset.



Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

When continuing involvement takes the form of a written and/or purchased option (including a cash-settled option or similar provision) on the transferred asset, the extent of the Group's continuing involvement is the amount of the transferred asset that the Group may repurchase, except that in the case of a written put option (including a cash-settled option or similar provision) on an asset measured at fair value, the extent of the Group's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

Financial liabilities

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognized in the consolidated statement of comprehensive income.

Cash and Cash Equivalents

Cash includes cash on hand and in banks, including bank accounts maintained by the Group as collateral for its long-term debt and cash that is restricted for meeting cash commitments in the next twelve months related to the development of the Project. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition, and for which there is an insignificant risk of change in value.

Restricted Cash

Restricted cash represents cash in escrow account as required in the Provisional License issued by PAGCOR and restricted cash and cash equivalents that are allocated for the development of the Project.

Inventories

Inventories are valued at the lower of cost or net realizable value. Cost is determined using the first-in, first-out, average or specific identification methods. Net realizable value is based on estimated selling prices less estimated costs to be incurred on completion and disposal.

Prepaid Insurance

Prepaid insurance are carried at cost and are amortized on a straight-line basis, over the period of intended usage, which is equal to or less than 12 months or within the normal operating cycle.

Advances to Contractors

Advances to contractors represent advance payments for the Group's gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment. These are charged to expense or capitalized to project development costs in the consolidated statement of financial position, upon actual receipt of services or gaming/hotel equipment. These are considered as nonfinancial instruments as these will be applied against future billings from contractors.



Project Development Costs

Costs incurred in the construction of the hotel casino entertainment complex, referred to as “Solaire”, are capitalized as “Project development costs”. This includes cost of construction, equipment and other direct costs such as borrowing cost. Upon completion, it will be amortized over the life of BRHI’s license with PAGCOR or life of the asset, whichever is shorter. During the period of development, project development costs are tested for impairment.

Property and Equipment

Property and equipment are carried at cost, excluding the costs of day-to-day servicing, less accumulated depreciation, amortization and any impairment in value.

The initial cost of property and equipment comprises its construction cost or purchase price and any directly attributable costs of bringing the property and equipment to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, are normally charged to income in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, such expenditures are capitalized as additional costs of property and equipment. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of comprehensive income of such period.

The useful lives and depreciation and amortization method are reviewed at least at each financial year-end to ensure that the periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from items of property and equipment.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets, or the term of the lease as in the case of leasehold improvements, whichever is shorter:

Building and improvements	20 years
Machineries	10 years
Land improvements	10 years
Gaming equipment	5 years
Office furniture and fixtures	5 years
Transportation equipment	5 years
Leasehold improvements	3 years or lease term, whichever is shorter
Office and communication equipment	5 years

Operating Equipment

Operating equipment (shown as part of “Other noncurrent assets” account) includes linen, china, glassware, silver, and other kitchen wares, which are carried at cost. Items of operating equipment with expected period of consumption of one year or less are classified as current. Bulk purchases of items of operating equipment with expected usage period of beyond one year are classified as noncurrent assets and are amortized over two to three years.

Investment in an Associate

Investment in an associate is accounted for using the equity method of accounting and is initially recorded at cost. An associate is an entity in which the Group has significant influence and which is neither a subsidiary nor a joint venture.



Under the equity method, the investment in an associate is carried in the consolidated statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized nor individually tested for impairment. The consolidated statement of comprehensive income reflects the share in the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share in such change and disclose this, when applicable, in the consolidated statement of comprehensive income and changes in equity. Unrealized gains and losses resulting from transactions between the Group and its associate are eliminated to the extent of the interest in those associates.

The share of profit and losses of the associate is shown on the face of the consolidated statement of comprehensive income. This is the profit or loss, attributable to equity holders of the associate and therefore is the profit or loss, after tax and net of non-controlling interest in the subsidiaries of the associate.

The Group's reporting dates and that of its associate are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances. Where necessary, adjustments are made to bring such accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognize an additional impairment loss on its investment in an associate. The Group determines at each reporting period whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognizes the amount in profit or loss in its consolidated statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognizes any remaining investment at its fair value. Any difference between the carrying amounts of the investment in an associate upon loss of significant influence, and the fair value of the remaining investment and proceeds from disposal, is recognized in profit or loss.

Impairment of Nonfinancial Assets

The Group assesses at each reporting date whether there is any indication that its nonfinancial assets may be impaired. When an indicator of impairment exists or when an annual impairment testing for an asset is required, the Group makes a formal estimate of the recoverable amount. Recoverable amount is the higher of an asset's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is assessed as part of the cash generating unit to which it belongs. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is charged to operations in the year in which it arises, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to the revaluation increment of the said asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed



only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of comprehensive income unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation and amortization expense is adjusted in future years to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining life.

Equity

Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as a deduction of proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value are recognized as additional paid-in capital.

Equity reserve pertains to costs incurred in 2011, in connection with the issuance of capital stock such as taxes and legal fees. The account also includes the effect of the reverse acquisition.

Deficit represents the Group's cumulative net losses, net of dividends declared.

Share-based Payment Plan

Certain qualified officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Distribution of Non-cash Assets to Owners

Philippine Interpretation IFRIC 17, *Distributions of Non-cash Assets to Owners*, requires that an entity shall measure a liability to distribute non-cash assets as a dividend to its owners at the fair value of the assets to be distributed. IFRIC 17, however, does not apply when the non-cash asset is ultimately controlled by the same party or parties before and after the distribution. In such cases, the Group measures the liability to distribute non-cash assets as a dividend to its owners at the carrying amount of the assets to be distributed.

Foreign Currency Transactions and Translations

The Group's financial statements are presented in Philippine Peso. The Philippine Peso is the currency of the primary economic environment in which the Group operates. Transactions in foreign currencies are initially recorded in the functional currency rate prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional closing rate of exchange prevailing at the end of the reporting period. All differences are recognized in the Group's consolidated statement of comprehensive income.



Revenue Recognition

The Group recognizes revenue when the amount of revenue can be reliably measured, it is possible that future economic benefits will flow into the entity and specific criteria have been met for each of the Group's activities described below. The amount of revenue is not considered to be reliably measured until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

The following specific recognition criteria must also be met before revenue is recognized:

Gaming revenue

Gaming revenue is measured by the aggregate net difference between gaming wins and losses, with liabilities recognized for funds deposited by customers before gaming play occurs and for chips in customers' possession. Revenues are recognized net of certain sales incentives. Accordingly, the Group's gaming revenues are reduced by discounts, rebates paid through the gaming promoters, progressive jackpot liabilities and points earned in customer loyalty programs.

Hotel, food and beverage, retail and other operating revenues

Hotel, food and beverage, retail and other operating revenues are recognized when services are performed or the retail goods are sold. Deposits received from customers in advance on rooms or other services are recorded as liabilities until services are provided to the customers.

The retail value of accommodation, food and beverage, and other services furnished to guests without charge is excluded from total operating revenues in the accompanying consolidated statement of comprehensive income. The amounts of such promotional allowances excluded from total operating revenues for the year ended December 31, 2013 are as follows:

	Amount
Hotel, food and beverage	₱606,081,931
Retail and others	58,690,980
	₱664,772,911

Retail and other revenue includes sale of various merchandise, communication and transportation services to Solaire guests and players.

Interest income

Interest income is recognized as it accrues on a time proportion basis taking into account the principal amount outstanding and the EIR. Interest income represents interest earned from cash and cash equivalents and restricted cash comprising of cash in escrow and cash allocated to the Project.

Rental income

Rental income, shown as part of "Retail and others" in the consolidated statement of comprehensive income, is recognized on a straight-line basis.

Cost and Expenses

Costs and expenses are recognized in the consolidated statement of comprehensive income upon utilization of the service or at the date they are incurred.

Costs incurred prior to obtaining the license were expensed as incurred.



Pre-opening Expenses

Pre-opening expenses are costs incurred prior to opening of a new gaming facility. These are charged to expense as incurred. These include recruiting and training new employees, relocation costs, payroll for employees directly associated with the opening, payments to consultants to assist in the opening, operating costs incurred prior to opening but after construction is complete, direct advertising and marketing, and incremental office lease space prior to the opening. Pre-opening expenses are shown separately as part of the “Operating costs and expenses” account in the consolidated statement of comprehensive income.

Retirement expense

The Group has an unfunded, non-contributory defined benefit plan covering all of its regular employees. Retirement costs are determined based on the provisions of Republic Act No. 7641, “Retirement Pay Law.” The retirement benefit is computed as 50% of basic monthly salary plus one-twelfth of the 13th month pay for every year of service and the cash equivalent of not more than five (5) days service incentive leaves.

Provisions

Provisions are recognized when the Group has present obligations, legal or constructive, as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income, net of any reimbursements. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to passage of time is recognized as interest expense.

Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset. Qualifying assets are assets that necessarily take a substantial period of time to get ready for its intended use or sale. Capitalization of borrowing costs commences when the activities necessary to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are available for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized. Borrowing costs include interest charges and other costs incurred in connection with the borrowing of funds, as well as exchange differences arising from foreign currency borrowings used to finance these projects to the extent that they are regarded as an adjustment to interest cost.

All other borrowing costs are expensed as incurred.

Leases

The determination of whether an arrangements, or contains a lease is based on the substance of the arrangement at the inception date of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies: (a) there is a change in contractual terms, other than a renewal or extension of the agreement; (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term; (c) there is a change in the determination of whether the fulfillment is dependent on a specified asset; or (d) there is a substantial change to the asset.



Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gave rise to the reassessment for scenarios (a), (c) or (d) and the date of renewal or extension period for scenario (b).

As a lessee

Leases where the lessor retains substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease payments are recognized as expense in the consolidated statement of comprehensive income or capitalized in the consolidated statement of financial position (in case of leases directly related to construction) on a straight-line basis over the lease term.

As a lessor

Leases where the Group does not transfer substantially all the risks and benefits of ownership of the assets are classified as operating leases. Operating lease receipts are recognized as income in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting period.

Deferred income tax

Deferred income tax is provided using the liability method on temporary differences at the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences except: (1) when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of unused tax credits from excess minimum corporate income tax (MCIT) over regular corporate income tax (RCIT) and unused net operating loss carry-over (NOLCO) to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carryforward benefit of unused tax credits and unused tax losses can be utilized except: (1) when the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and (2) with respect to deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.



The carrying amount of deferred tax assets is reviewed at each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each reporting period and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting period.

Deferred income tax relating to items recognized directly in other comprehensive income account is included in the other comprehensive income account of the consolidated statement of comprehensive income.

Deferred tax assets and deferred income tax liabilities are offset, if a legally enforceable right exists to offset current income tax assets against current income tax liabilities and the deferred income taxes relate to the same taxable entity and the same taxation authority.

Value-Added Tax (VAT)

Revenue, expenses and assets are recognized net of the amount of VAT, except:

- When the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; or
- Receivables and payables that are stated with the amount of VAT included.

The net amount of VAT recoverable from/payable to the taxation authority is included as part of the “Prepayments and other current assets” and “Payables and other current liabilities” accounts in the consolidated statement of financial position.

Gaming Taxes

Being a PAGCOR licensee, BRHI is required to pay license fees ranging from 15% to 25% of its gross gaming revenues on a monthly basis, starting from the date the casino commences operations. These license fees may not be changed or adjusted unless agreed upon by the parties. Such license fees include franchise tax on actual gross gaming revenues generated by the casino. The Group is also required to remit on a monthly basis 5% of non-gaming revenue and 2% of casino revenues generated from non-junket operation tables. These expenses are reported as part of “Taxes and licenses” account under “Operating costs and expenses” in the consolidated statement of comprehensive income.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable.



Events After the Reporting Date

Post year-end events that provide additional information about the Group's financial position at the end of the reporting period (adjusting events) are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

Earnings (Loss) Per Share

The Group presents basic and diluted earnings (loss) per share rate for its common shares.

Basic Earnings (loss) Per Share (EPS) is calculated by dividing net income (loss) for the period attributable to common equity shareholders by the weighted average number of common shares outstanding during the period after giving retroactive effect to any stock dividend declarations.

Diluted earnings per common share is computed in the same manner, adjusted for the effect of the shares issuable to qualified officers and employees under the Parent Company's stock incentive plan which are assumed to be exercised at the date of grant. Where the effect of the vesting of stock under the stock incentive plan is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

In a reverse acquisition, for the purpose of calculating the weighted average number of ordinary shares outstanding (the denominator of the earnings per share calculation):

- (a) the number of ordinary shares outstanding from the beginning of that period to the acquisition date is computed on the basis of the weighted average number of ordinary shares of the legal subsidiary/accounting acquirer outstanding during the period multiplied by the exchange ratio (number of shares issued by the legal parent over the number of shares issued by the legal subsidiary) established in the acquisition agreement; and
- (b) the number of ordinary shares outstanding from the acquisition date to the end of that period is the actual number of ordinary shares of the legal parent/accounting acquiree outstanding during that period.

The basic earnings per share disclosed for each comparative period before the acquisition date is calculated by dividing:

- (a) the profit or loss of the legal subsidiary/accounting acquirer attributable to ordinary shareholders in each of those periods, by
- (b) the legal subsidiary's historical weighted average number of ordinary shares outstanding multiplied by the exchange ratio established in the acquisition agreement.

Segment Reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services within a particular economic environment subject to risks and rewards that are different from those of other segments, which operating results are regularly reviewed by the chief operating decision maker to make decisions about how resources are to be allocated to each of the segments and to assess their performances, and for which discrete financial information is available. The Group operates in one geographical area where it derives its revenue. Financial information on segment reporting is presented in Note 24.



3. Management's Use of Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in conformity with PFRS requires the Group to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and disclosure of contingent liabilities at the reporting date. The uncertainties inherent in these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future years.

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments apart from those including estimations and assumptions, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Contingencies. On April 13, 2013, the BIR issued RMC No. 33-2013, which may affect the tax exemption of BRHI. Also, the Group terminated the agreement with Global Gaming Philippines LLC (GGAM) because of a material breach by the latter (see Note 19). The Group's estimate of the probable cost for the implication of these matters has been developed in consultation with its legal counsels and is based upon an analysis of potential results. Management and its legal counsels do not believe these will have a material adverse effect on its financial position or performance. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to this matter.

Evaluating Lease Commitments. The evaluation of whether an arrangement contains a lease is based on its substance. An arrangement is, or contains a lease when the fulfilment of the arrangement depends on a specific asset or assets and the arrangement conveys a right to use the asset.

Group as a Lessee

The Group has entered into various operating lease agreements as a lessee. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the Group the ownership over the assets at the end of the lease term and do not provide the Group with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

Group as a Lessor

Group has entered into various operating lease agreements as a lessor. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, that the Group retains all the significant risks and rewards of ownership of these properties because the lease agreements do not transfer to the lessee the ownership over the assets at the end of the lease term and do not provide the lessee with a bargain purchase option over the leased assets and so accounts for the contracts as operating leases.

Estimates and assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities recognized in the consolidated financial statements within the next financial year are discussed as follows:



Estimating Allowance for Doubtful Accounts. The Group reviews its receivables at each reporting date to assess whether a provision for doubtful accounts should be recorded in the consolidated statement of financial position. In particular, judgment by management is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance. In addition to specific allowance against individually significant receivables, the Group also makes a collective impairment allowance against exposures which, although not specifically identified as requiring specific allowance, have a greater risk of default than when originally granted.

Management evaluates provision for doubtful accounts based on a specific review of customer accounts as well as experience with collection trends in the casino industry and current economic and business conditions. As customer payment experience evolves, management will continue to refine the estimated provision for doubtful accounts. Accordingly, the associated doubtful accounts expense charge may fluctuate. Because individual customer account balances can be significant, the provision and the expense can change significantly between periods, as information about a certain customer becomes known or as changes in a region's economy or legal systems occur.

Provision for doubtful accounts for the years ended December 31, 2013 and 2012 amounted to ₱532.7 million and nil, respectively. The carrying amount of receivables amounted to ₱2,514.8 million and ₱36.1 million as of December 31, 2013 and 2012, respectively (see Note 5).

Net Realizable Value of Inventories. The Group writes down the cost of inventories whenever net realizable value of inventories becomes lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The lower of cost and net realizable value of inventories is reviewed on a monthly basis to reflect the accurate valuation in the financial records. Inventories and supplies identified to be obsolete and unusable are also written off and charged as expense for the period.

There were no provision for inventory obsolescence for the years ended December 31, 2013 and 2012. Inventories at cost amounted to ₱190.3 million and ₱0.6 million as of December 31, 2013 and 2012, respectively (see Note 6).

Estimating Useful Lives of Property and Equipment. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment based on the period over which the property and equipment are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment is based on collective assessment of industry practice, internal technical evaluation and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the depreciation and amortization charges where useful lives are less than the previously estimated useful lives.

The aggregate net book value of the Group's property and equipment amounted to ₱23,243.6 million and ₱175.2 million as of December 31, 2013 and 2012, respectively (see Note 10).

Estimating Useful Life of Operating Equipment. Bulk purchases of operating equipment items are estimated to be consumed over a period of two to three years. This estimation is reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the assets. Management will increase the



amortization charges where period of consumption is less than the previously estimated period of consumption.

Amortization for the year ended December 31, 2013 amounted to ₱158.0 million. The carrying value of the Group's operating equipment amounted to ₱373.6 million and ₱46.5 million as of December 31, 2013 and 2012, respectively (see Note 11).

Impairment of Nonfinancial Assets. An impairment review is performed when certain impairment indicators are present. Nonfinancial assets are subject to annual impairment test or whenever there is a strong indication that the assets will be impaired. The Group recognizes an impairment loss whenever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is computed using the value in use approach or based on the fair values using the latest sales price available in the market. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs.

Management is required to make estimates and assumptions to determine the recoverable amounts. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause the management to conclude that the affected assets are impaired and may have a material impact on the Group's financial condition and results of operations.

There was no impairment loss recognized for the years ended December 31, 2013, 2012 and 2011.

As of December 31, 2013 and 2012, the carrying values of nonfinancial assets subject to impairment review are as follows:

	2013	2012
Property and equipment	₱23,243,559,711	₱175,165,970
Project development costs	4,107,769,095	14,715,961,920
Advances to contractors	1,122,604,556	3,439,011,003
Operating equipment*	373,640,142	46,505,341
	₱28,847,573,504	₱18,376,644,234

*Presented as part of "Other noncurrent assets" account.

Recognition of Gaming Promoters' Expense. The Group pays the gaming promoters, who introduce VIP players to Solaire, a percentage of the gross gaming win generated by each gaming promoter. Approximately 80% of the amount paid to gaming promoters are netted against casino revenues, because such approximates the amount of rebates returned to the VIP players through the gaming promoters, which will be used by the players to purchase additional chips and will eventually form part of the casino revenue, and approximately 20% are included in operating expenses, which approximate the amount ultimately retained by the gaming promoters for their compensation.

Gaming promoters' expense which was netted against revenue and the amount presented as part of "Advertising and promotions" account under operating costs and expenses amounted to ₱2,182.8 million and ₱545.7 million, respectively, for the year ended December 31, 2013 (see Notes 17 and 19).



Determining Retirement Benefits. The determination of the Group's obligation and cost for retirement benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's retirement liabilities.

Retirement benefits obligation amounted to ₱47.4 million and ₱11.8 million as of December 31, 2013 and 2012, respectively (see Note 15).

Recognition of Deferred Tax Assets and Liabilities. The Group reviews the carrying amounts at the end of each reporting period and reduced these to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized. The Group's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the level and timing of forecasted taxable income of the subsequent reporting periods. The forecast is based on past results and future expectations on revenues and expenses as well as future tax planning strategies. However, there is no assurance that the Group will generate sufficient taxable income to allow all or part of its deferred income tax assets to be utilized.

Despite the recent ruling Revenue Memorandum Circular (RMC) No. 33-2013 issued by the Bureau of Internal Revenue (BIR), clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues, management still believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to BRHI in accordance with section 13 of Presidential Decree No. 1869 (see Notes 19 and 20).

The Group recognized deferred tax assets amounting to ₱88.4 million and ₱137.3 million as of December 31, 2013 and 2012, respectively (see Note 20). The Group's temporary differences, for which no deferred tax assets/liabilities have been recognized since management believes that it is not probable that these will reverse in the near future, amounted to ₱3,784.2 million and ₱1,143.3 million as of December 31, 2013 and 2012, respectively, resulting from (a) Bloomberry's and Sureste's position that it will not have any taxable profits in the future in which it could utilize its deferred tax assets and (b) BRHI's position that it is exempt from income tax (see Note 20).

Determination of Fair Values of Financial Assets and Liabilities. PFRS requires that the Group disclose estimated fair value of financial assets and financial liabilities at fair value which requires extensive use of accounting estimates and judgments. While significant components of fair value measurement were determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, volatility rates), the amount of changes in fair value would differ if the Group utilized a different valuation methodology. Any changes in fair value of these financial assets and liabilities would affect the Group's disclosures.

The fair values of financial assets and liabilities are disclosed in Note 21 to the financial statements.



4. Cash and Cash Equivalents

This account consists of:

	2013	2012
Cash on hand	₱1,636,264,088	₱135,000
Cash in banks	4,045,614,592	1,324,729,505
Temporary cash investments	–	6,317,339,899
Debt collateral accounts (see Note 13)	410,360,759	194,727,944
	₱6,092,239,439	₱7,836,932,348

Cash in banks earn interest at the prevailing bank deposit rates. Temporary cash investments are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates.

Debt collateral accounts are bank accounts maintained by the Group as collateral for its long-term debt (see Note 13).

Interest income earned from cash and cash equivalents amounted to ₱33.0 million, ₱161.7 million and ₱2.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

5. Receivables

This account consists of:

	2013	2012
Casino (see Note 19)	₱2,969,463,340	₱–
Hotel	49,191,534	–
Advances to officers and employees (see Note 14)	26,740,035	31,729,902
Others	2,146,251	4,374,279
	3,047,541,160	36,104,181
Less allowance for doubtful accounts (see Note 17)	532,705,442	–
	₱2,514,835,718	₱36,104,181

Casino receivables mainly include casino markers issued to fixed room junket operators and VIP premium casino players. Casino markers pertain to credits granted to registered casino players. These markers are noninterest-bearing and are normally collected within the following month.

Hotel receivables pertain to various food, beverage, and hotel service fees receivable from hotel occupants which are collected upon check-out. This also includes credit card transactions which are normally collected within one month.

Advances to officers and employees are normally settled within one month through salary deduction or liquidation (see Note 14).

Accrued interest, presented as part of “Others”, pertains to interest from temporary cash investments and restricted cash account which are normally received within one year.

Allowance for doubtful accounts pertain to casino markers that the Group assessed as doubtful on an individual and collective basis.



6. Inventories

This account consists of:

	2013	2012
At cost:		
Food and beverage	₱115,675,851	₱3,024
Operating supplies	63,870,991	630,372
Retail merchandise	10,788,988	—
	₱190,335,830	₱633,396

Inventories charged to cost of sales amounted to ₱529.7 million and nil for the years ended December 31, 2013 and 2012, respectively (see Note 17).

7. Prepayments and Other Current Assets

This account consists of:

	2013	2012
Prepaid insurance	₱80,154,462	₱3,326,238
Derivative asset (see Note 13)	49,119,127	66,632,635
Current portion of security deposit (see Note 18)	30,618,003	24,567,839
Advances to suppliers	27,768,682	3,046,423
Prepaid rent (see Note 18)	14,378,472	23,696,848
Creditable withholding tax	1,935,643	144,776
Input VAT - net	—	13,236,574
Others (see Note 19)	41,107,680	4,803,039
	₱245,082,069	₱139,454,372

8. Restricted Cash

Restricted cash includes the escrow account required in the Provisional License issued by PAGCOR and restricted funds allocated for the development of the Project (see Note 1). Current portion of the restricted funds, which is expected to be released within the next 12 months, is shown separately in the current assets section of the consolidated statements of financial position. The noncurrent portion of the restricted cash pertains to the escrow account required by PAGCOR.

Under the Provisional License granted by PAGCOR, the Group is required to set up and maintain an escrow account amounting to US\$100.0 million with a universal bank mutually agreed by PAGCOR and BRHI. All funds for the development of the Project (see Note 1) shall pass through the escrow account and all drawdowns of funds from the said escrow account must be applied to the Project. The escrow account should have a maintaining balance of US\$50.0 million. If the funds in escrow account fall below the maintaining balance at any given time, BRHI shall deposit not later than 15 calendar days (grace period) from the date the escrow account falls below the maintaining balance, such funds to achieve the maintaining balance. The escrow will be withdrawn and released to BRHI upon completion of the Project (see Note 9).



Interest income on the restricted cash amounted to ₱20.6 million, ₱33.9 million and ₱67.0 million for the years ended December 31, 2013, 2012 and 2011, respectively.

9. Project Development Costs and Advances to Contractors

Project development costs represent costs incurred in the development of Solaire (see Note 1). Costs incurred mainly include raw materials procurement, general construction works, architectural design services, engineering consultancy and construction supervision services, interior design services, capitalized rent expense on lease contract with PAGCOR and interest charges on long-term debt. As of December 31, 2013, project development costs pertain to the costs related to Phase 1A of Solaire. Project development costs related to Phase 1 has been reclassified to property and equipment upon its completion in March 2013 (see Notes 1 and 10) while Phase 1A is expected to be completed by the fourth quarter of 2014.

Borrowing costs capitalized as part of “Project development costs” and “Property and equipment” (upon reclassification) amounted to ₱544.3 million and ₱352.3 million as of December 31, 2013 and 2012, respectively (see Note 13). Average interest capitalization rate is at 2.9% in 2013. Lease on the land of PAGCOR capitalized as part of “Project development costs” and “Property and equipment” (upon reclassification) amounted to ₱546.5 million and ₱481.4 million as of December 31, 2013 and 2012, respectively (see Note 18).

Under BRHI’s Provisional License with PAGCOR, BRHI has committed to invest at least US\$1.0 billion in the Project. In the event that the peso devaluates, the value of the dollar against the peso shall be limited to a maximum of 46:1. The investment commitment includes the lease for the use of the land of PAGCOR (see Note 18), cost related to securing development rights, construction, equipment, development costs, financing costs, working capital costs, and all other expenses directly related to the completion and operation of the casino. The Provisional License also requires BRHI to fully invest and utilize US\$400.0 million within two years from April 8, 2009, the date of issuance of the Provisional License, to comply with the aforementioned 40% utilization requirement. On November 16, 2009, PAGCOR approved BRHI’s request for an additional three years extension of the original two years compliance period with respect to the 40% of the total investment commitment. As a result, BRHI has been allowed an extension of up to five years from April 8, 2009 issuance of the Provisional License to comply with the aforementioned 40% utilization requirement.

The movement in this account is as follows:

	2013	2012
Balance at beginning of year	₱14,715,961,920	₱4,313,329,843
Additions	3,149,052,127	10,402,632,077
Reclassification from advances to contractors	3,373,746,756	—
Reclassification to property and equipment (see Note 10)	(17,130,991,708)	—
Balance at end of year	₱4,107,769,095	₱14,715,961,920

Advances to contractors pertain to advance payments to various contractors for gaming equipment, hotel furniture and fixtures, operating equipment and other gaming and hotel equipment related to the development of hotel and gaming facility of Solaire. This is shown separately in the Group’s statements of financial position. As of December 31, 2013, advances to contractors primarily pertain to advance payments for construction costs related to Phase 1A.



10. Property and Equipment

This account consists of:

	2013								
	Building and Improvements	Machineries	Gaming Equipment	Land Improvements	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Total
Cost									
Balances at beginning of year	P-	P-	P-	P-	P6,327,323	P35,172,764	P49,480,007	P123,870,931	P214,851,025
Additions	-	3,016,795,415	763,835,008	1,886,342	1,566,653,358	211,821,219	3,035,892	2,255,421,261	7,819,448,495
Reclassification from project development costs (see Note 9)	15,534,593,561	57,301,084	822,546,076	1,555,113	295,704,672	-	179,251	419,111,951	17,130,991,708
Retirement	-	-	-	-	(1,381,726)	(1,194,643)	(37,812,320)	(672,435)	(41,061,124)
Balances at end of year	15,534,593,561	3,074,096,499	1,586,381,084	3,441,455	1,867,303,627	245,799,340	14,882,830	2,797,731,708	25,124,230,104
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	-	-	-	1,897,501	6,073,954	17,424,133	14,289,467	39,685,055
Depreciation and amortization (see Note 17)	612,971,691	242,935,858	219,502,436	272,448	280,894,204	33,433,693	34,013,668	457,223,847	1,881,247,845
Retirement	-	-	-	-	(1,361,477)	(592,089)	(37,812,320)	(496,621)	(40,262,507)
Balances at end of year	612,971,691	242,935,858	219,502,436	272,448	281,430,228	38,915,558	13,625,481	471,016,693	1,880,670,393
Balance at December 31, 2013	P14,921,621,870	P2,831,160,641	P1,366,878,648	P3,169,007	P1,585,873,399	P206,883,782	P1,257,349	P2,326,715,015	P23,243,559,711

	2012								
	Building and Improvements	Machineries	Gaming Equipment	Land Improvements	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Total
Cost									
Balances at beginning of year	P-	P-	P-	P-	P1,420,458	P9,735,214	P8,560,629	P2,609,195	P22,325,496
Additions	-	-	-	-	4,906,865	25,437,550	40,919,378	121,261,736	192,525,529
Balances at end of year	-	-	-	-	6,327,323	35,172,764	49,480,007	123,870,931	214,851,025
Accumulated Depreciation and Amortization									
Balances at beginning of year	-	-	-	-	619,997	1,076,042	3,413,675	652,258	5,761,972
Depreciation and amortization (see Note 17)	-	-	-	-	1,277,504	4,997,912	14,010,458	13,637,209	33,923,083
Balances at end of year	-	-	-	-	1,897,501	6,073,954	17,424,133	14,289,467	39,685,055
Balance at December 31, 2012	P-	P-	P-	P-	P4,429,822	P29,098,810	P32,055,874	P109,581,464	P175,165,970



	2011								
	Building and Improvements	Machineries	Gaming Equipment	Land Improvements	Office Furniture and Fixtures	Transportation Equipment	Leasehold Improvements	Office and Communication Equipment	Total
Cost									
Balances at beginning of year	P—	P—	P—	P—	P1,352,360	P3,570,536	P4,456,361	P1,091,797	P10,471,054
Additions	—	—	—	—	68,098	6,164,678	4,104,268	1,517,398	11,854,442
Balances at end of year	—	—	—	—	1,420,458	9,735,214	8,560,629	2,609,195	22,325,496
Accumulated Depreciation and Amortization									
Balances at beginning of year	—	—	—	—	160,974	217,217	710,941	100,309	1,189,441
Depreciation and amortization (see Note 17)	—	—	—	—	459,023	858,825	2,702,734	551,949	4,572,531
Balances at end of year	—	—	—	—	619,997	1,076,042	3,413,675	652,258	5,761,972
Balance at December 31, 2011	P—	P—	P—	P—	P800,461	P8,659,172	P5,146,954	P1,956,937	P16,563,524

On March 16, 2013, with the completion of Phase 1 of Solaire and subsequent commencement of its commercial operations, the Group reclassified its project development costs pertaining to Phase 1 of Solaire to the relevant property and equipment category.



11. Other Noncurrent Assets

Other Noncurrent Assets

This account consists of:

	2013	2012
Operating equipment	₱373,640,142	₱46,505,341
Prepaid debt issue costs	165,137,744	87,668,781
Noncurrent portion of security deposit	19,361,053	6,530,860
Others	976,560	1,016,895
	₱559,115,499	₱141,721,877

Operating equipment pertains to linen, china, glassware, kitchen wares and uniforms purchased by the Group to be amortized over a period of two to three years. Purchases in 2013 amounted to ₱485.1 million. Amortization amounted to ₱158.0 million for the year ended December 31, 2013 (see Note 17).

Prepaid debt issue costs primarily pertain to documentary stamp tax and front end fee on the undrawn balance of the loan facilities. Such amount will be presented in the consolidated statements of financial position as reduction from long-term debt upon drawdown and will be amortized over the term of the loan.

Investment in an Associate

Investment in an associate, shown as part of “Other noncurrent assets” prior to 2012, represents Sureste’s 48% interest in Monte Oro Resources and Energy, Inc. (MOREI) which was accounted for using the equity method in the consolidated financial statements.

On October 13, 2011, Sureste declared and transferred to PMHI its investment in 899,872,627 common shares of MOREI, with a carrying value of ₱650.2 million, as property dividends (see Notes 14 and 16).

Subsequently, on November 29, 2011, Sureste entered into a deed of assignment with PMHI, wherein Sureste assigned its rights, title and interests in the remaining 214,762,124 common shares of MOREI to PMHI for a consideration of ₱227.5 million, resulting in a gain of ₱72.3 million.

As of December 31, 2011, Sureste has no remaining investment in MOREI.

The details and movements of the investment in an associate as of and for the year ended December 31, 2011 follows:

	Amount
Investment cost	₱1,114,634,751
Less accumulated equity in net losses:	
Balance at beginning of year	299,385,896
Equity in net losses	9,933,136
	309,319,032
	805,315,719
Less disposals:	
Declared as property dividends (see Note 16)	650,151,604
Transferred to PMHI through deed of assignment	155,164,115
	₱—



12. Payables and Other Current Liabilities

This account consists of:

	2013	2012
Outstanding chip and other gaming liabilities	₱2,261,985,151	₱—
Payable to contractors and suppliers (see Note 14)	1,897,626,616	1,255,646,218
Retention payable	893,911,281	1,619,485,523
Customers' deposits	504,392,445	140,000
Gaming taxes payable (see Note 19)	447,757,329	—
Output VAT and other taxes payable	95,255,386	13,806,072
Accrued expenses:		
Current portion of accrued rent (see Note 18)	197,247,233	232,087,659
Accrued interest	30,694,161	13,755,091
Others	236,996,582	124,860,944
	₱6,565,866,184	₱3,259,781,507

Outstanding chip and other gaming liabilities include outstanding chips, slot tickets and tokens as well as provision for progressive jackpot on slots and for points earned from customer loyalty programs. Outstanding chips, amounting to ₱1,980.7 million, pertain to chips purchased by the players which are not yet converted into cash. Other gaming liabilities mainly include progressive jackpot liability amounting to ₱124.0 million and liability for points earned from customer loyalty programs amounting to ₱120.7 million.

Customers' deposits primarily pertain to casino players' funds in the form of cash, check or telegraphic transfer deposited directly to the casino's bank accounts or over the cage cashier counter for future purchase of chips or redemption of credit markers.

Gaming taxes payable mainly pertains to license fees payable to PAGCOR which are normally settled within one month. As of March 11, 2014, outstanding amount due to PAGCOR was fully settled.

Accrued rent arises from the recognition of lease on a straight line basis. Lease payments that are due within one year are presented as "Current portion of accrued rent" (see Note 18). The noncurrent portion is presented separately in the consolidated statement of financial position.

Other accrued expenses primarily pertain to accrued salaries and benefits, outside services, advertising and promotions and pre-opening expenses.

Payables and other current liabilities are normally settled within one year.



13. Long-term Debt

This account consists of:

	2013	2012
Principal:		
Original facility	₱14,600,000,000	₱8,266,000,000
Expansion facility	3,290,817,898	—
	17,890,817,898	8,266,000,000
Less unamortized debt discount	(258,228,075)	(89,893,418)
	17,632,589,823	8,176,106,582
Less current portion of long-term debt (net of unamortized debt discount of ₱63.4 million)	1,019,430,237	—
	₱16,613,159,586	₱8,176,106,582

The movements in unamortized debt discount follow:

	2013	2012
Unamortized debt discount at beginning of year	₱89,893,418	₱67,940,553
Additions (net of prepayment option value)	206,641,071	32,588,403
Amortization (net of prepayment option value accretion)	(38,306,414)	(10,635,538)
Unamortized debt discount at end of year	₱258,228,075	₱89,893,418

Future repayment of the principal follows:

	2013	2012
Within one year	₱1,082,850,000	₱—
After one year but not more than five years	15,080,496,209	5,172,150,000
Beyond five years	1,727,471,689	3,093,850,000
	₱17,890,817,898	₱8,266,000,000

a. Original Facility

On January 24, 2011, Sureste and BRHI entered into an aggregate of ₱9.87 billion (₱7.62 billion for Sureste and ₱2.25 billion for BRHI), seven-year term loan facilities (“Original Facility”) with Banco de Oro Unibank, Inc. (the Lender or BDO) as the lender to finance the construction of the hotel, gaming and entertainment facility, including but not limited to purchase of furniture, fixture and equipment and payment of consultants. Sureste’s loan has an escrow portion in the amount of ₱2.25 billion, which is secured by the assignment and hold-out on the escrow account maintained by BRHI as required under the Provisional License from PAGCOR (see Note 8). On April 4, 2012, Sureste’s loan agreement with BDO was amended to, among others, provide for an additional ₱4.73 billion loan facility, making an aggregate available facility for Sureste of ₱12.35 billion.

The Original Facility is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 1% over the 3-month PDST-F rate with respect to the escrow portion of Sureste’s loan in the amount of



₱2.25 billion and 3% over the 3-month PDST-F rate with respect to the portion not constituting the escrow portion in the amount of ₱12.35 billion.

Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at December 31, 2013 and 2012, the amount drawn under this facility amounted to ₱14.6 billion and ₱8.3 billion, respectively. Outstanding long-term debt, net of unamortized debt discount, as of December 31, 2013 and 2012 amounted to ₱14,476.2 million and ₱8,176.1 million, respectively.

The Original Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity. Upon prepayment, Sureste/BRHI shall pay the principal, accrued interest and penalty based on the amount prepaid in the following percentages: (i) 3% for years 1 to 3 from the initial borrowing date; (ii) 2% for year 4; (iii) 1% for year 5; and (iv) 0.5% for year 6.

The prepayment option was assessed as not clearly and closely related to the loan. As at inception date, the value of the prepayment option is not material. Upon additional drawdowns in 2012 and 2013, the option was bifurcated at each drawdown date of the loan, resulting to a value of the bifurcated prepayment option of ₱37.9 million and ₱83.5 million which were offset against additions to capitalized debt issue costs in 2013 and 2012, respectively. Accretion of interest on the option amounting to ₱20.7 million and 10.8 million in 2013 and 2012, respectively, were offset against amortization of debt issue costs. Fair value losses from the prepayment option are recognized as “Mark-to-market loss” and is separately presented in the 2013 and 2012 consolidated statements of comprehensive income.

b. Expansion Facility

In March 2013, the Group executed a second amendment to the loan agreement to provide for an additional ₱14.3 billion loan facility (“Expansion Facility”) with BDO Unibank Inc., China Banking Corp., and Philippine National Bank as expansion lenders.

The Expansion Facility of ₱14.3 billion is payable over seven years in 16 consecutive quarterly installments on each repayment date commencing on the 39th month from the initial drawdown date while the interest on the unpaid principal amount shall be paid in quarterly payments from the initial drawdown date. The loan bears an interest rate based on a spread of 2% over the 30-day BSP reverse purchase agreement rate, unless a substitute benchmark rate has been requested 20 banking days prior to an interest payment date.

Similar with the original facility, Sureste and BRHI are obliged to pay, on each date of drawdown, for the first three years of the facilities, a commitment fee equivalent to 0.8% per annum for the first year and 0.5% per annum for the second and third years, based on the undrawn portion of the commitment.

As at December 31, 2013, the amount drawn under these facilities amounted to ₱3.3 billion. Outstanding long-term debt, net of unamortized debt discount, as of December 31, 2013, amounted to ₱3,156.4 million.

The Expansion Facility provides that Sureste/BRHI is permitted to make optional prepayments anytime until maturity, but without penalty.



The embedded prepayment option on the Expansion Facility was assessed as clearly and closely related to the loan, thus, not for bifurcation.

All legal and professional fees, including commitment fee, incurred in relation to the loan, totaling ₱433.8 million and ₱189.2 million as of December 31, 2013 and 2012, respectively, were capitalized. Debt issue costs were amortized using EIR method. For the years ended December 31, 2013, 2012 and 2011, amortization of debt issue costs (net of interest accretion on the option) amounting to ₱20.8 million, ₱10.6 million and ₱5.2 million, respectively, and interest charges amounting to ₱171.2 million, ₱263.7 million and ₱72.8 million, respectively, were capitalized as part of “Project development costs” and “Property and equipment” (upon reclassification) (see Notes 9 and 10).

In 2013, borrowing costs recognized as expense in the consolidated statement of comprehensive income amounted to ₱371.0 million, comprising of interest expense amounting to ₱353.5 million and amortization of debt discount (net of interest accretion on the option) amounting to ₱17.5 million.

Unamortized debt discount, representing capitalized debt issue costs and the value of the bifurcated derivatives arising from embedded prepayment option, is presented as deduction from the Group’s long-term debt.

Debt Covenant

Sureste’s and BRHI’s original and expansion facilities contain certain restrictive covenants that require Sureste and BRHI to comply with specified financial ratios and other financial tests at quarterly measurement dates. Sureste’s and BRHI’s loan agreement includes compliance with certain financial ratios such as debt-to-equity and debt service coverage ratios. Sureste and BRHI are required to maintain a debt service coverage ratio of at least 1.2 times on each testing date after the commencement of the gaming facility’s commercial operations while a maximum of debt-to-equity ratio of 0.61 times and 2.33 times for BRHI and Sureste, respectively, on each testing date. As of December 31, 2013 and 2012, Sureste and BRHI are in compliance with the debt covenants.

Collateral

Under the loan agreement, collateral includes the following:

i) Assignment of Accounts and Receivables

To ensure the payment by Sureste/BRHI of the Loan, Sureste/BRHI shall assign, convey, set over and transfer unto the Security Trustee absolutely and unconditionally all of its respective right, title and interest in all monies standing in its Debt Service Payment Account (DSPA) and Debt Service Reserve Account (DSRA) required to be maintained by the Group to service interest and principal payments, all monies standing in the Escrow Account (see Note 8), project receivables, as well as the proceeds, products and fruits of the said accounts.

The level of funds standing in the DSRA on any date commencing on the initial drawdown date shall be at least equal to the amount of principal due on an immediately succeeding repayment date and two times the interest payable on an immediately succeeding interest payment date.

The level of funds standing in the DSPA commencing on the initial drawdown date shall be at least equal to (i) on the 60th day from the start of the relevant interest period, at least fifty percent (50%) of all amounts payable on an immediately succeeding payment date; and (ii) on



or before 10:00 am of a payment date, at least one hundred percent (100%) of all amounts payable on such payment date.

In the event the funds in the DSPA fall below the DSPA maintaining balance, and as a result thereof, the funds standing in the DSPA becomes insufficient to cover payments for the relevant payment date, Banco de Oro Unibank, Inc. - Trust and Investment Group (the Security Trustee) shall, not later than 12:00 pm on such relevant payment date, debit from the DSRA such amount as would be necessary to pay for the interest or principal falling due on such payment date.

As of December 31, 2013 and 2012, the Group's debt collateral accounts balances are as follows (see Note 4):

	2013	2012
Debt service reserve account	₱409,800,894	₱194,286,519
Debt service payment account	559,865	441,425
	₱410,360,759	₱194,727,944

ii) Assignment of Project Agreements

Sureste/BRHI shall assign, convey, set over and transfer absolutely to the Security Trustee all of its rights, title and interest, present and future, in and into the Future Project Agreements, the (a) benefit of all claims for damages for the breach by any Counterparty of any term of any of the Project Agreements and all warranties and indemnities contained therein; (b) the right to terminate any of the Project Agreements or agree to the suspension thereof; (c) the right to compel performance of any of the Project Agreements; (d) the right to agree to any variation of the terms of any of the Project Agreements; and (e) the right to pursue any action, proceeding, suit or arbitration arising in relation to any of the rights assigned and to enforce such rights in the name of Sureste/BRHI.

iii) Mortgage

As a security for timely payment, discharge, observance and performance of the loan, Sureste/BRHI (a) establishes in favor of the Security Trustee for the benefit of the Lender, a first ranking real estate mortgage on the Present Real Assets, i.e. leasehold rights over the phase 1 PAGCOR Land covered by the PAGCOR Lease (see Note 18), and Future Real Assets, i.e. the hotel and gaming facilities; and (b) establish in favor of the Security Trustee for the benefit of the Lender, a first ranking Chattel Mortgage on the Present and Future Chattels.

iv) Continuing Suretyship

In consideration of the loan and for other valuable consideration receipt of which the Surety, i.e. Sureste/BRHI, acknowledges, Sureste/BRHI agrees that it shall be solidarily liable with BRHI/Sureste to the Lender and the Security Trustee for the payment of the loan.

v) Pledge

The Pledgor, i.e. BRHI shareholders, shall assign, transfer, deliver, set over and grant to the Security Trustee, a continuing security interest of first priority in, all of its right, title and interest in and to the Pledged Shares, i.e. BRHI shares, and the Additional Pledged Shares, whether now owned or existing or hereafter acquired.



14. Related Party Transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial and operating decisions. This includes: (a) individuals owning, directly or indirectly through one or more intermediaries, control or are controlled by, or under common control with the Group; (b) subsidiaries; and (c) individuals owning, directly or indirectly, an interest in the voting power of the Group that give them significant influence over the Group and close members of the family of any such individual.

The Group's related party balances are as follows:

Related Party	Nature/Terms of Transaction	Transaction Amounts			Outstanding Receivable (Payable)	
		2013	2012	2011	2013	2012
PMHI, <i>ultimate parent company</i>	1. Noninterest-bearing and unsecured cash advances	₱—	₱—	₱319,716,760	₱—	₱—
	2. Property dividend declaration (see Note 16 and item a below)	—	—	687,362,960	—	—
	3. Sale of investment in MOREI (see Note 19 and item b below)	—	—	227,493,710	—	—
Bloombury Investments Limited (BIL)	Reimbursement of payment to Steelman (see Note 17 and item c below)	—	—	56,776,102	—	—
Global Gaming Philippines, LLC (GGAM)*	Management fees; payable within 30 days (see Note 19)	40,359,765	89,359,333	—	(4,742,260)	(35,682,570)
Eaglesight Investments Limited**	Aircraft lease and maintenance reimbursements; payable within 1 month	191,144,534	—	—	(28,033,473)	—
Officers and employees	Noninterest-bearing and unsecured cash advances (see Note 5)	87,509,437	39,133,275	623,205	26,740,035	31,729,902
Key management personnel	1. Short-term employee benefits (see item d below)	46,732,590	46,486,757	—	—	—
	2. Post-employment benefits (see item d below)	516,776	1,037,939	—	(1554,715)	(1,037,939)

*GGAM became a related party on December 28, 2012 (see Note 16)

**Under common control

Other information related to the above transactions follows:

- On October 13, 2011, Sureste declared and distributed its investment in MOREI and its investment properties as property dividends to its ultimate parent, PMHI (see Note 16). The transactions were accounted for at the carrying amount of the assets distributed as the non-cash assets declared as dividends are ultimately controlled by the same party, PMHI, both before and after the distribution.
- On November 29, 2011, Sureste sold its remaining interest in MOREI to PMHI with a carrying value of ₱155.2 million, resulting to a gain on sale of ₱72.3 million (see Note 11).



- c. On April 22, 2010, BIL, a commonly controlled entity, and BRHI engaged Steelman Partners, LLC to provide the master plan design concept, construction administration and consultancy services for the Project (see Note 19).
- d. As of December 31, 2011, no compensation is paid to key management personnel since the management of the Group was handled by the officers of PMHI.

15. Retirement Cost

The Group has an unfunded and noncontributory defined benefit pension plan covering substantially all of its regular employees. The cost of providing benefits is valued every year by a professional qualified independent actuary in compliance with PAS 19. Benefits are dependent on the years of service and the respective employees' compensation and are determined using the projected unit credit method.

The following tables summarize the components of retirement expense recognized in the consolidated statements of comprehensive income and the retirement liability recognized in the consolidated statements of financial position as of and for the years ended December 31, 2013 and 2012:

	2013	2012
Retirement expense:		
Current service cost	₱34,849,021	₱11,765,800
Interest costs	711,138	—
Balance at end of year	₱35,560,159	₱11,765,800
Retirement liability:		
Balance at beginning of year	₱11,765,800	₱—
Retirement expense	35,560,159	11,765,800
Actuarial loss	58,541	—
Balance at end of year	₱47,384,500	₱11,765,800
Changes in the present value of defined benefit obligation:		
Balance at beginning of year	₱11,765,800	₱—
Current service cost	34,849,021	11,765,800
Interest costs	711,138	—
Actuarial loss (gain) due to:		
Experience adjustments	19,481,741	—
Changes in financial assumptions	(19,423,200)	—
Balance at end of year	₱47,384,500	₱11,765,800



The principal assumptions used in determining the Group's retirement liability as of December 31, 2013 and 2012 are shown below:

	2013		2012	
	Sureste	BRHI	Sureste	BRHI
Discount rate	5.98%	5.73%	6.08%	6.04%
Future salary rate increase	3.00%	3.00%	5.00%	5.00%
Mortality rate	1994 GAM			
Turnover rate	A scale ranging from 10% at age 20 decreasing to 0% at age 46	A scale ranging from 10% at age 20 decreasing to 0% at age 50	A scale ranging from 10% at age 20 decreasing to 0% at age 50	A scale ranging from 10% at age 20 decreasing to 0% at age 50

The Group does not maintain a fund for its retirement benefit obligation. While funding is not a requirement of law, there is a risk that the Group may not have the cash if several employees retire within the same year.

Shown below is the maturity profile of the undiscounted benefit payments:

Plan Year	Expected Benefit Payments
Less than one year	₱—
More than one year to five years	12,554,193
More than five years to 10 years	35,884,134
More than 10 years to 15 years	235,473,628
More than 15 years to 20 years	721,040,528
More than 20 years	3,022,049,822

The average duration of the defined benefit obligation at the end of the reporting period is 28.43 years.

The retirement benefit obligation is subject to several key assumptions. To help illustrate the impact of each key assumption, a sensitivity analysis is provided below, which has been determined based on reasonably possible changes of each significant assumption on the retirement benefit obligation as of the end of the reporting period, assuming all other assumptions were held constant:

a. Sureste

	Present Value of Obligation
Discount rate	
6.98% Actual + 1.00%	₱6,462,500
5.98% Actual	7,953,700
4.98% Actual - 1.00%	9,868,900
Salary increase rate	
4.00% Actual + 1.00%	₱9,858,100
3.00% Actual	7,953,700
2.00% Actual - 1.00%	6,445,900
Turnover rate	
8.20% Actual + 2.00%	₱7,187,900
6.20% Actual	7,953,700
4.20% Actual - 2.00%	8,886,500



b. BRHI

	Present Value of Obligation
Discount rate	
6.73% Actual + 1.00%	₱32,651,200
5.73% Actual	39,430,800
4.73% Actual - 1.00%	47,959,300
Salary increase rate	
4.00% Actual + 1.00%	₱47,856,000
3.00% Actual	39,430,800
2.00% Actual - 1.00%	32,610,800
Turnover rate	
7.62% Actual + 2.00%	₱36,291,400
5.62% Actual	39,430,800
3.62% Actual - 2.00%	43,220,700

16. Equity

Capital stock consists of:

	Shares	Amount
Common stock - ₱1 par value		
Authorized	15,000,000,000	₱15,000,000,000
Issued	10,589,800,556	10,589,800,556

On February 6, 2012, the stockholders of the Parent Company approved the increase in its authorized capital stock from ₱120.0 million divided into 120.0 million shares to ₱15,000.0 million divided into 15,000.0 million shares both with a par value of ₱1 per share. The increase in authorized capital stock was approved by the SEC on February 27, 2012 (see Note 1).

After the increase in authorized capital stock, PMHI subscribed to additional shares in Bloomberry. After the said subscription, PMHI owns 7,325,656,500 shares (including 60.0 million shares purchased in January 2012) (see Note 1) constituting 78.84% ownership in Bloomberry. Other investors subscribed to 1,946,184,056 Bloomberry shares out of the said increase.

On May 2, 2012, PMHI offered and sold (the "Offer") 1,179,963,700 of its existing Bloomberry common shares (the "Offer Shares") at ₱7.50 per Offer Share (the "Offer Price"). PMHI has agreed to subscribe for, and Bloomberry has agreed to issue new shares in an amount equal to the aggregate number of Offer Shares to be sold by PMHI in the Offer and in accordance with the Over-Allotment Option (as defined below) at a price equal to the Offer Price, net of expenses incurred relative to the Offer.

In connection with the Offer, PMHI granted CLSA Limited, in its role as stabilizing agent (the "Stabilizing Agent") an option, exercisable in whole or in part for a period of 30 days from and including May 2, 2012, to purchase up to 10% of the total number of Offer Shares at the Offer Price, on the same terms and conditions as the Offer Shares, to cover over-allotments (the "Over-Allotment Option").



On May 7, 2012, PMHI subscribed to 1,179,963,700 new Bloomberg shares in replacement to the Offer Shares. Consequently, on May 31, 2012, the Stabilizing Agent exercised the Over-Allotment Option to purchase 117,996,300 shares, equivalent to 10% of the total number of Offer Shares. Additional paid-in capital arising from said transactions amounted to ₱8,024.8 million. Transaction costs incurred relative to issuance of shares in 2012, amounting to ₱76.4 million, were charged against the additional paid-in capital in the 2012 consolidated statement of financial position.

On December 18, 2012, PMHI purchased an additional 3,000,000 Bloomberg shares from the market. Consequently, on December 28, 2012, GGAM exercised its option to acquire 921,184,056 shares of Bloomberg from PMHI (see Note 19).

The shareholders of the Parent Company as of December 31, 2013 are as follows:

Shareholders	Percentage of Ownership
PMHI (see Note 1)	60.51%
GGAM	8.70%
Quasar Holdings, Inc.	8.70%
Falcon Investco Holdings, Inc.	2.12%
Public	19.97%
Total	100.00%

Set out below is Bloomberg's track record of registration of its securities:

Date of Approval	Number of Shares		Issue/ Offer Price
	Authorized	Issued/ Subscribed	
May 3, 1999*	120,000,000	80,000,000	₱1.00
February 27, 2012**	15,000,000,000	9,211,840,556	1.00
May 2, 2012***	15,000,000,000	1,179,963,700	7.50
May 31, 2012***	15,000,000,000	117,996,300	7.50

*Date when the registration statement covering such securities was rendered effective by the SEC

**SEC approval of the increase in the authorized capital stock; Offer Shares sold at ₱7.50 on May 2, 2012

***Transaction date per SEC Form 23-B; Includes Offer Shares and Over-Allotment Option

As of December 31, 2013 and 2012, Bloomberg has total shareholders of 77 and 40, respectively, on record. For this purpose, public shares held under PCD Nominee are counted as two (one for PCD Nominee - Filipino and another for PCD Nominee - Foreign).

Stock Incentive Plan

The Stockholders of the Parent Company approved on June 25, 2012 a Stock Incentive Plan (SIP) for directors, officers, and employees of the Group, effective for a period of ten years unless extended by the BOD. The Participants to the SIP are: permanent and regular employees of the Group or its affiliates with at least one year tenure; officers and directors of the Group; officers and directors of affiliates of the Group; and other persons who have contributed to the success and profitability of the Group or its affiliates.

The SIP shall be administered by the Stock Incentive Committee (SIC) composed of three directors or officers to be appointed by the BOD. The SIC shall determine the number of shares to be granted to a participant and other terms and conditions of the grant.



Unissued shares from the authorized capital stock or treasury shares, which together with shares already granted under the SIP, are equivalent to seven percent (7%) of the resulting total outstanding shares of the Parent Company shall be allocated for the SIP.

The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The shares awarded shall vest in two years: 50% on the first anniversary date of the award; and the other 50% on the second anniversary date of the award. Vesting grants the participant absolute beneficial title and rights over the shares, including full dividend and voting rights.

On October 1, 2013, the SIC granted the first stock awards of 5,792,700 shares with a fair value of ₱10.02 per share. The fair value per share is based on the market price of the stock on October 1, 2013. The stock incentive obligation amounting to ₱10.9 million is recognized as part of “Salaries and benefits” under “Operating costs and expenses” in the consolidated statement of comprehensive income and as “Share-based payment plan” in the consolidated statement of financial position.

Dividend Declaration

On October 13, 2011, Sureste declared and issued to PMHI its investment in 899,872,627 shares of MOREI amounting to ₱650.2 million as property dividends. On the same date, Sureste declared its entire investment properties with a carrying value of ₱37.2 million as property dividends. Depreciation and amortization of these investment properties in 2011 amounted to ₱870,684.

17. Operating Costs and Expenses

This account consists of:

	2013	2012	2011
Taxes and licenses (see Note 19)	₱3,421,499,294	₱78,335,223	₱64,272,550
Salaries and benefits (see Notes 15 and 16)	2,349,874,190	222,217,447	3,437,378
Depreciation and amortization (see Notes 10, 11 and 16)	2,039,223,501	33,923,083	5,443,215
Advertising and promotions	1,505,604,615	—	—
General office expenses	752,132,918	37,162,265	5,321,586
Provision for doubtful accounts (see Note 5)	532,705,442	—	—
Cost of sales (see Note 6)	529,674,637	—	—
Utilities	519,178,983	10,708,243	453,880
Outside services and charges	507,222,063	70,208,098	8,914,057
Pre-opening expenses (see Notes 14, 18 and 19)	283,371,649	318,786,484	46,467,185
Rent (see Note 18)	218,655,835	—	—
Communication and transportation (see Note 14)	92,171,905	38,396,448	7,604,662
Repairs and maintenance	59,454,848	2,082,448	2,163,511
Others	454,328,922	7,537,870	5,124,147
	₱13,265,098,802	₱819,357,609	₱149,202,171



18. Lease Agreements

As a Lessee

On May 7, 2010, BRHI entered into a contract of lease with PAGCOR to lease 83,084 square meters of land for the construction of the hotel, gaming and entertainment facility. The lease period shall be for about 23 years which shall commence upon the execution of the contract and shall be co-terminus with the term of lessor as provided in the PAGCOR charter which will expire on July 11, 2033, unless sooner revoked, rescinded or cancelled. The annual lease rental is based on the schedule provided for in the agreement. No annual lease payments are due during the first two (2) years of the lease period. Rental shall have 5% annual escalation rate starting on the 18th year of the lease period.

BRHI has the option to purchase the entire leased property at any time under such terms and conditions as may be agreed upon with the lessor, and subject to relevant bidding laws governing the disposal and/or sale of government property including real estate property. BRHI or its designated assignee shall also have the right of first offer and a right to match the terms and conditions of a bona fide offer to purchase the leased property made by a third party.

On May 20, 2011, BRHI and Sureste entered into a deed of assignment whereby BRHI assigned to Sureste all its rights and interest as a lessee under the contract of lease with PAGCOR. Such deed of assignment was approved by PAGCOR on May 26, 2011. Pursuant to the deed of assignment, Sureste undertakes and commits that it will faithfully observe and fully comply with (a) all of the representations, covenants and undertakings of BRHI contained in the contract of lease and (b) the rules and regulations of PAGCOR, to the extent that such representations, covenants, undertakings, rules and regulations are, or may be, applicable to the lessee under the contract of lease. BRHI shall remain solidarily liable to PAGCOR for Sureste's compliance with all the obligations and liabilities of the lessee under the contract of lease.

In December 2012, BRHI and Sureste agreed to amend the above deed of assignment. Pursuant to the amended deed of assignment and with the consent of PAGCOR, BRHI assigned 89% of its leasehold rights over the leased land to Sureste and retained the 11% of such rights. In 2013, an addendum to the contract of lease covering an additional 3,733 square meters of PAGCOR land, was executed.

Rent expense related to this lease, capitalized as part of "Project development costs" and "Property and equipment" (upon reclassification) amounted to ₱546.5 million and ₱481.4 million as of December 31, 2013 and 2012, respectively (see Note 9). Rent expense for Phase1 incurred subsequent to the opening of Solaire in March 2013 amounting to ₱124.6 million was recognized as part of "Rent expense" account under operating costs and expenses in the 2013 consolidated statement of comprehensive income (see Note 17).

Future minimum lease payments under this operating lease follow:

	2013	2012
Within one year	₱238,662,352	₱232,087,659
Beyond one year but not later than five years	897,705,076	873,944,743
Beyond five years	2,776,500,650	2,838,377,314
	₱3,912,868,078	₱3,944,409,716



BRHI also entered into a contract to lease its office space for one and a half years commencing on February 16, 2011 until August 15, 2012 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. The said contract has expired in 2012 and was not renewed.

In 2012, BRHI entered into a lease contract for suites in the SM Arena for three years commencing May 21, 2012 until May 21, 2015 renewable upon the joint written agreement of the parties under terms and conditions mutually agreed by the parties. BRHI also entered into other various lease contracts for a period of one year renewable annually.

Advance rental and security deposits related to these leases amounted to ₱64.4 million and ₱54.8 million as of December 31, 2013 and 2012, respectively (see Notes 7 and 11).

Rent expense charged to operations, presented as part of “Pre-opening expenses”, amounted to ₱19.9 million and ₱33.8 million in 2013 and 2012, respectively (see Note 17). Rental charges related to these leases, presented as part of “Rent expense” account under operating costs and expenses in the 2013 consolidated statement of comprehensive income amounted to ₱94.0 million (see Note 17).

Future minimum lease payments under these operating leases follow:

	2013	2012
Within one year	₱21,771,698	₱58,631,870
Beyond one year but not later than five years	–	30,171,697
	₱21,771,698	₱88,803,567

As a Lessor

In 2004, Sureste entered into a 10-year lease agreement as a lessor of a property from December 15, 2004 to December 14, 2014. As of December 31, 2011, the lease agreement was effectively terminated as the investment properties have been transferred to PMHI (see Notes 14 and 16). Sureste also leases its parking space for a period of one year renewable annually.

Total rental income, recognized as part of “Retail and others” in the 2011 consolidated statement of comprehensive income, amounted to ₱4.3 million.

19. Commitments and Contingencies

- a. Under the license agreement with PAGCOR, BRHI has the following commitments, among others:
 - Within 30 days, to submit a bank guarantee or LC or surety bond in the amount of ₱100.0 million to guarantee BRHI’s completion of the project and in subject to forfeiture in case of delay in construction which delay exceeds 50% of the schedule. It will be released upon completion of the project.
 - Seven days prior to commencement of operation of the Casino, to secure a surety bond in favor of PAGCOR in the amount of ₱100.0 million to ensure prompt and punctual remittance/payment of all license fees.



- License fees must be remitted on a monthly basis, in lieu of all taxes with reference to the income component of the Gross Gaming Revenues: (a) 15% high roller tables; (b) 25% non-high roller tables; (c) 25% slot machines and electronic gaming machines; and (d) 15% Junket operation.
- In addition to the above license fees, BRHI is required to remit 2% of casino revenues generated from non-junket operation tables to a foundation devoted to the restoration of Philippine cultural heritage, as selected by the BRHI and approved by PAGCOR. BRHI has established Bloomberry Cultural Foundation Inc. (BCF) for this purpose. Amount remitted to BCF, recognized as part of “Taxes and licenses” account in 2013, amounted to ₱147.4 million. Outstanding amount payable to BCF as of December 31, 2013, presented as part of “Gaming taxes payable”, amounting to ₱20.1 million was already settled as of March 11, 2014. Furthermore, the Group has made advances to BCF amounting to ₱26.1 million as of December 31, 2013, presented as part of “Others” under “Prepayments and other current assets” account in the consolidated statement of financial position (see Note 7).
- PAGCOR may collect a 5% fee of non-gaming revenue received from food and beverage, retail and entertainment outlets. All revenues of hotel operations should not be subject to the 5% except rental income received from retail concessionaires.
- Grounds for revocation of the license, among others, are as follows: (a) failure to comply with material provision of this license; (b) failure to remit license fees within 30 days from receipt of notice of default; (c) has become bankrupt, insolvent; (d) delay in construction of more than 50% of the schedule; and (e) if debt-to-equity ratio is more than 70:30. As of December 31, 2013 and 2012, BRHI has complied with the required debt-to-equity ratio.

Total PAGCOR license fee recognized, shown as part of “Taxes and licenses” account, amounted to ₱3,371.6 million for the year ended December 31, 2013. Outstanding amount payable to PAGCOR, presented as part of “Gaming taxes payable”, amounted to ₱427.7 million as of December 31, 2013 (see Note 12).

- b. The Group has entered into the following significant contracts related to the Project:

Steelman Partners, LLC

On April 22, 2010, BIL and BRHI engaged Steelman Partners, LLC, to provide the master plan design concept, construction administration and consultancy services with a total agreed contract price of US\$6,450,000. The engagement of Steelman Partners, LLC expired on October 22, 2012. As of December 31, 2013, BRHI has effectively paid ₱437.9 million to Steelman Partners, LLC (see Note 14).

DMCI

On January 18, 2011, Sureste entered into a contract with DMCI to construct its hotel and casino facility. The contract costs amounted to ₱8.6 billion, exclusive of VAT but inclusive of import duties and all other necessary duties, fees and taxes, and are expected to be completed within a 630 calendar day period. Currently, the Group is undertaking the construction of the next phase of Solaire, referred to as “Phase 1A”. It will comprise additional tables and slot machines, an all-suite boutique hotel tower, additional food and beverage offerings, a retail promenade, a performance theatre, a night club and additional parking spaces. Contract price for Phase 1A amounted to ₱2.3 billion. As of December 31, 2013 and 2012, Sureste has paid ₱13,411.7 million and ₱8,830.1 million, respectively, to DMCI.



D' Consult International, Inc.

On January 1, 2010, Sureste entered into a consultancy agreement with D' Consult, International, Inc. (DCI - an affiliate of Design Coordinates, Inc.) for engineering consultancy and construction supervision services. Sureste agreed to pay ₱183.0 million fixed fee, in addition to variable fees based on agreed rates for additional services performed. As of December 31, 2013 and 2012, Sureste has paid ₱364.9 million and ₱272.4 million to DCI, respectively.

KNA Design

The Group has engaged KNA Design, a Los Angeles-based interior design firm, to provide interior design for the hotel component of Phase 1A, for a fixed fee of US\$1.3 million. Total cost for the year ended December 31, 2013 amounted to ₱65.6 million. Outstanding payable to KNA Design amounted to ₱5.0 million as of December 31, 2013.

TPM

The Group entered into a project management consultancy contract with TPM, one of Asia's leading construction project management consultancies focused on gaming anchored hospitality development projects, for a fixed fee of US\$2.4 million and staff cost reimbursement of US\$9.3 million. Total cost for the year ended December 31, 2013 amounted to ₱254.2 million. Outstanding payable to TPM amounted to ₱3.4 million as of December 31, 2013.

Hospitality Purchasing Group International, LLC

On September 1, 2011, Sureste entered into a consultancy agreement for FF&E and OS&E Sourcing and Procurement Services with Hospitality Purchasing Group International, LLC, (HPGI) with an agreed contract price of US\$442,000. The contract expired on December 12, 2012. As of December 31, 2013 and 2012, Sureste has paid HPGI ₱17.9 million and ₱14.5 million, respectively.

- c. BRHI entered into junket operator agreements with junket operators who have the primary responsibility of directing gaming patrons to the casino. Based on these agreements, these junket operators are compensated based on a certain percentage of the wins or rolling chips. Gaming promoters expense for the year ended December 31, 2013 amounted to ₱2,728.5 million (see Note 3). Receivable from junket operators as of December 31, 2013 amounted to ₱2,701.6 million (see Note 5).
- d. On September 9, 2011, Sureste and BRHI jointly entered into a Management Services Agreement (MSA) with Global Gaming Philippines, LLC (GGAM) for the technical assistance on all aspects of planning, design, layout, and construction of the Project and for services related to recruitment, selection, and hiring of employees for the Project. GGAM through the Management Team shall also provide management and other related services upon commencement of the Project's commercial operations. Fees per contract amounts to US\$100,000 per month for the technical assistance and US\$75,000 monthly for services related to the pre-opening operations. Upon commencement of the commercial operations and five years thereafter (after which the contract expires unless GGAM extends it for another 5 years), the Group will pay GGAM annual fees equivalent to certain percentages of Sureste's and BRHI's EBITDA. Total fees for the years ended December 31, 2013 and 2012 amounted to ₱40.4 million and ₱89.4 million, respectively. Outstanding payable to GGAM amounted to ₱4.7 million and ₱35.7 million as of December 31, 2013 and 2012, respectively (see Note 14).



The Group terminated the MSA effective September 12, 2013 because of a material breach of the MSA by GGAM after prior notice and failure of discussions to settle their dispute. Accordingly, the Group has accrued annual fees due to GGAM up to September 12, 2013 only. GGAM has sent a notice of arbitration in accordance with the arbitration clause of the MSA. GGAM denies having breached the MSA and alleges that it is BRHI and Sureste who breached the MSA. BRHI and Sureste have submitted their response to the notice of arbitration. The parties are awaiting the constitution of a 3 member arbitral tribunal which will resolve the dispute in Singapore under the arbitration rules of the United Nations Commission on International Trade Law (UNCITRAL) using Philippine law as the governing law.

Under the MSA, GGAM was granted the option, from the date of execution of the MSA, to purchase up to 921.2 million shares, equivalent to 9.91% of Bloomberry's outstanding shares (prior to Bloomberry's top-up equity offering) from PMHI at a purchase price equivalent to ₱1.00 per share plus US\$15 million. In December 2012, GGAM exercised its option to acquire 921.2 million shares of Bloomberry from PMHI (see Note 16). On February 25, 2014, the Makati Regional Trial Court granted the Group's application for measures of protection in the form of writs of preliminary attachment and preliminary injunction to restrain GGAM from disposing the Bloomberry shares, and so the judgment that the arbitral tribunal may award in favor of the Group can be enforced against the Bloomberry shares.

No further details were provided as required under PAS 37, Provisions, Contingent Liabilities and Contingent Assets, because these may prejudice the Group's position in relation to this matter.

- e. Section 13(2)(a) of PD No. 1869 (the PAGCOR Charter) grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations.

On April 23, 2013, the BIR issued RMC No.33-2013, clarifying that PAGCOR and its contractees and licensees are subject to 30% RCIT on their gaming and non-gaming revenues. Such RMC may affect the tax exemption of BRHI.

Despite this RMC, however, management still believes that the tax benefits granted under the PAGCOR charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under this franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator. BRHI, together with other Entertainment City licensees, have filed a request for common administrative relief with PAGCOR from the adverse effect of RMC No. 33-2013. This request is still pending with PAGCOR.

In view of the above, there is uncertainty with respect to the income tax exemption of BRHI.



20. Income Taxes

- a. Net provision for (benefit from) income tax consists of:

	2013	2012	2011
Current	₱—	₱—	₱70,106
Deferred	154,948,159	(68,437,939)	(16,578,520)
	₱154,948,159	(₱68,437,939)	(₱16,508,414)

Provision for current income tax in 2011 pertains to MCIT.

The reconciliation of benefit from income tax computed at the statutory income tax rate to provision for (benefit from) income tax as shown in the consolidated statements of comprehensive income is summarized as follows:

	2013	2012	2011
Benefit from tax at statutory tax rate of 30%	(₱348,042,542)	(₱226,912,997)	(₱4,154,613)
Tax effects of:			
Income subject to final tax, non-taxable income and non-deductible expenses	191,887,351	(35,762,118)	(21,643,540)
Net movement in unrecognized deferred income tax assets and other adjustments	311,103,350	194,237,176	9,289,739
	₱154,948,159	(₱68,437,939)	(₱16,508,414)

- b. The components of the Group's recognized net deferred tax assets (liabilities) are as follows:

	2013	2012
Deferred tax assets:		
Accrued rent under PAS 17	₱71,571,261	₱41,378,399
Prepayment option	10,622,692	531,419
Capitalized interest on option	3,787,843	1,225,157
Retirement liability	2,386,110	108,756
NOLCO	—	94,000,868
MCIT	—	102,018
	88,367,906	137,346,617
Deferred tax liabilities:		
Capitalized rent	(141,339,278)	(51,153,706)
Unrealized foreign exchange gain	(15,244,513)	—
	(₱68,215,885)	₱86,192,911

As of December 31, 2013, the Company derecognized its deferred tax assets pertaining to NOLCO and excess MCIT since the management believes that it is not probable that taxable profit will be available against which the deductible temporary differences can be utilized.



- c. The Group has the following temporary differences for which no deferred tax assets/liabilities have been recognized since management believes that it is not probable that these will be realized in the near future because BRHI is taking the position that it is exempt from income tax when it starts commercial operations and in the case of Sureste, management believes that it is not probable that taxable profit will be available against which the deductible temporary differences arising from its NOLCO and MCIT can be utilized:

	2013	2012
NOLCO	₱3,258,782,731	₱962,133,844
Allowance for doubtful accounts	532,705,442	—
Capitalized rent	(54,828,234)	(52,951,157)
Retirement liability	39,430,800	11,403,280
Accrued rent under PAS 17	29,486,287	—
Foreign exchange losses (gains) - net	(27,589,165)	111,440,274
Prepayment option	5,433,713	(42,361,186)
Capitalized interest on option	750,321	—
MCIT	70,106	—
	₱3,784,242,001	₱989,665,055

- d. Sureste has the following temporary differences for which no deferred income taxes have been recognized since these are expected to reverse during its income tax holiday (ITH):

	2013	2012
Accrued rent under ITH	₱—	₱124,091,050
Capitalized rent under ITH	—	(47,983,376)
Prepayment option under ITH	—	47,167,127
Prepaid rent under ITH	—	27,711,629
Foreign exchange losses - net	—	1,509,428
Capitalized interest under ITH	—	1,149,226
	₱—	₱153,645,084

- e. As of December 31, 2013, the Group's NOLCO can be carried forward and claimed as deduction from regular taxable income as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2013	2016	₱2,046,078,667	₱—	₱—	₱2,046,078,667
2012	2015	959,462,330	—	—	959,462,330
2011	2014	253,241,734	—	—	253,241,734
2010	2013	62,766,007	—	62,766,007	—
		₱3,321,548,738	₱—	₱62,766,007	₱3,258,782,731

- f. The carryforward benefits of MCIT amounting to ₱70,106 as of December 31, 2013 can be claimed as tax credits against future income taxes payable as follows:

Year Incurred	Expiry Year	Amount	Applied	Expired	Balance
2011	2014	₱70,106	₱—	₱—	₱70,106
2010	2013	31,912	—	31,912	—
		₱102,018	₱—	₱31,912	₱70,106



- g. Sureste is registered with the PEZA as an Ecozone Tourism Enterprise. The scope of registered activity is limited to the construction, development, management and operation of a hotel and entertainment complex at the Bagong Nayong Pilipino - Entertainment City Manila, to take over and undertake the project originally approved by the PEZA Board for BRHI and the importation of raw materials, machinery, equipment, tools, goods, wares, articles or merchandise directly used in its registered operations.

Under the PEZA Registration Agreement, Sureste is entitled to:

- i) Four-year ITH on income solely derived from servicing foreign clients for its operations limited to accommodation and other special interest and attraction activities/ establishments. Upon expiry of the ITH period, Sureste shall pay 5% Gross Income Tax (GIT), in lieu of all national and local taxes; and
- ii) Tax and duty-free importation of capital equipment required for the technical viability and operation of the registered facilities/activities.

Any income from activities of Sureste outside of the PEZA-registered activities is subject to regular corporate income tax.

On December 6, 2013, Sureste decided to waive the ITH incentive and be subjected instead to GIT (with exemption from real property tax). As of December 31, 2013, the request for confirmation of the said waiver is still pending for approval with PEZA.

- h. Section 13(2)(a) of PD No. 1869 (the PAGCOR Charter) grants PAGCOR an exemption for tax, income or otherwise, as well as exemption from any form of charges, fees, levies, except a 5% franchise tax on the gross revenue or earnings derived by PAGCOR on its operations. Management believes that the tax benefits granted to PAGCOR under its charter inure to the benefit of, and extend to corporations, associations and agencies, individuals with whom PAGCOR has any contractual agreement in accordance with Section 13(2)(b) of the PAGCOR Charter which provides that the exemptions granted for earnings derived from the operations conducted under the franchise specifically from the payment of any tax, income or otherwise, as well as any form of charges, fees or levies, shall inure to the benefit of and extend to the corporations, associations, agencies or individuals with whom PAGCOR, or operator has any contractual relationship in connection with the operations of the casino authorized to be conducted under this franchise and to those receiving compensation of other remuneration from PAGCOR or operator as a result of essential facilities furnished and/or technical services rendered to PAGCOR or operator.

21. Financial Assets and Liabilities and Financial Risk Management Objectives and Policies

Fair Value

The carrying values of cash and cash equivalents, current portion of restricted cash, receivables (except advances to officers and employees), current portion of security deposit and payables and other current liabilities (except statutory payables) approximate their fair values at reporting date due to the relatively short-term nature of the transactions.

The carrying value of restricted cash - net of current portion and long-term debt approximates fair value because of regular repricing based on market conditions. The Company's variable rate long-term debt is repriced on a quarterly basis.



The table below set forth the carrying values and the estimated fair values of the Company's financial assets and liabilities for which fair values are determined for measurement and/or disclosure as of December 31, 2013 and 2012:

	2013		2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Loans and receivables -				
Noncurrent portion of security deposit (presented as part of "Other noncurrent assets")	₱19,361,053	₱18,945,637	₱6,530,860	₱6,390,732
Financial assets at FVPL -				
Derivative asset (presented as part of "Prepayments and other current assets")	49,119,127	49,119,127	66,632,635	66,632,635
	₱68,480,180	₱68,064,764	₱73,163,495	₱73,023,367

Noncurrent Portion of Security Deposit. The fair value of security deposit is the estimated future cash flows, discounted to present value using a credit-adjusted discount rate.

Derivative Asset. The fair value of derivative asset is determined using Binomial Option Pricing Model which allows for the specification of points in time until the option expiry date. This valuation incorporates inputs such as interest rates and volatility.

Fair Value Hierarchy

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by source of inputs:

Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included in *Level 1* that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices); and

Level 3: inputs that are not based on observable market data or unobservable inputs.

The table below summarizes the classification of the Company's financial assets and liabilities as of December 31, 2013 and 2012 based on fair value measurement hierarchy.

		Level 1	Level 2	Level 3	Total
Asset for which fair value is disclosed -					
Noncurrent portion of security deposit	2013	₱—	₱18,945,637	₱—	₱18,945,637
	2012	—	6,390,732	—	6,390,732
Asset measured at fair value -					
Derivative asset	2013	—	49,119,127	—	₱49,119,127
	2012	—	66,632,635	—	66,632,635

In 2013 and 2012, there were no transfers between Level 1 and Level 2 fair value measurements and transfers into and out of the Level 3 fair value measurement.



Offsetting of Financial Assets and Financial Liabilities

The following table set forth the offsetting of financial assets and liabilities recognized at December 31, 2013:

	Gross amount of financial assets and liabilities	Gross amounts of recognized financial assets and liabilities set off in the statement of financial position	Net amount presented in the statement of financial position
Asset -			
Advances to contractors	₱1,817,541,226	(₱694,936,670)	₱1,122,604,556
Liability -			
Payables and other current liabilities	₱7,260,802,854	(₱694,936,670)	₱6,565,866,184

There were no financial instruments subject to an enforceable master netting arrangement that were not set-off in the consolidated statements of financial position.

Financial Risk Management Objectives and Policies

The Group's principal financial instruments consist mainly of borrowings from local financial institutions, proceeds of which were used for financing the Group's capital expenditures and operations. The Group has other financial assets and financial liabilities such as cash and cash equivalents, receivables, restricted cash, payables and other accrued liabilities which arise directly from the Group's operations.

The main risks arising from the Group's financial instruments are interest rate risk, foreign exchange risk, liquidity risk and credit risk. The BOD reviews and approves policies for managing each of these risks and they are summarized below.

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to market risk for changes in interest rates relates primarily to its long-term debt with floating interest rates.

Variable or floating rate debt is subject to cash flow interest rate risk. Repricing of variable rate debt is done on quarterly intervals.

The following table demonstrates the sensitivity of the Company's income before income tax (through the impact on floating rate borrowings) in 2013 to a reasonably possible change in interest rates, with all other variables held constant. There is no impact on the Company's equity other than those already affecting the net income.

	Effect on Income Before Income Tax
Increase by 2%	7,420,601
Decrease by 2%	(7,420,601)

A possible change in interest rates on long-term debt has no effect on income before income tax and equity in 2012 as interests on long-term debt are capitalized as part of "Project development costs" (see Note 9).



Foreign Exchange Risk

Foreign exchange risk is the risk that the value of the Group's financial instrument will fluctuate due to changes in foreign exchange rates. The Group has recognized in the consolidated statements of comprehensive income net foreign exchange gains of ₱185.7 million in 2013 and net foreign exchange losses of ₱115.8 million and ₱393,846 in 2012 and 2011, respectively, on the revaluation of its foreign currency-denominated cash and cash equivalents, receivables, restricted cash, payables and accrued expenses.

In the revaluation of its foreign currency-denominated financial assets and liabilities, the Group used the following exchange rates as of December 31, 2013 and 2012:

Currency	2013	2012
USD	44.395	41.192
HKD	5.727	5.314
EUR	60.816	54.530
SGD	34.999	33.703

The Group's foreign currency-denominated monetary assets and liabilities as of December 31, 2013 and 2012, and their Philippine peso equivalent follow:

	Original Currency				Peso Equivalent
	USD	HKD	EUR	SGD	
December 31, 2013					
Financial assets:					
Cash and cash equivalent	36,927,144	54,026,801	4,151	490,419	1,969,314,943
Receivable		266,246,156			1,524,818,360
Financial liabilities -					
Payables and other current liabilities	(3,257,165)	—	—	(84,263)	(146,341,427)
Net foreign currency - denominated financial assets	33,669,979	320,272,957	4,151	406,156	3,347,791,876
December 31, 2012					
Financial assets:					
Cash and cash equivalent	129,057	—	—	—	5,331,701
Restricted cash	41,402,777	—	—	—	1,705,463,181
Financial liabilities -					
Payables and other current liabilities	(2,100,000)	—	—	—	(86,503,200)
Net foreign currency denominated financial assets	39,431,834	—	—	—	1,624,291,682



The following table demonstrates the sensitivity to a reasonably possible change in the foreign exchange rates, with all other variables held constant, of the Group's income or loss before income tax at December 31, 2013 and 2012. There is no other impact on the Group's equity other than those affecting other income or loss before income tax.

	USD	HKD	EUR	SGD
December 31, 2013				
Increase by 3%	44,843,362	55,026,097	7,573	426,452
Decrease by 3%	(44,843,362)	(55,026,097)	(7,573)	(426,452)
December 31, 2012				
Increase by 3%	48,728,283	—	—	—
Decrease by 3%	(48,728,283)	—	—	—

Liquidity Risk

Liquidity risk is the potential of not meeting obligations as they become due because of an inability to liquidate assets or obtain funding. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

As part of its liquidity strategy, the Group will set aside cash to ensure that financial obligations will be met as they fall due. The Group has cash and cash equivalents and current portion of restricted cash totaling to ₱6,108.9 million and ₱7,879.8 million as of December 31, 2013 and 2012, respectively, that are allocated to meet the Group's liquidity needs.

The table below summarizes the maturity profile of the Group's financial assets and liabilities at and December 31, 2013 and 2012 based on contractual undiscounted payments.

2013						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Financial assets:						
Cash and cash equivalents:						
Cash on hand	₱1,636,264,088	₱—	₱—	₱—	₱—	₱1,636,264,088
Cash in banks	4,045,614,592	—	—	—	—	4,045,614,592
Temporary cash investments	—	—	—	—	—	—
Debt collateral accounts	410,360,759	—	—	—	—	410,360,759
Receivables						
Casino	2,436,757,898	—	—	—	—	2,436,757,898
Hotel	49,191,534	—	—	—	—	49,191,534
Others	2,146,251	—	—	—	—	2,146,251
Security deposit	30,618,003	19,361,053	—	—	—	49,979,056
Restricted cash	16,625,108	2,254,801,647	—	—	—	2,271,426,755
Derivative asset	49,119,127	—	—	—	—	49,119,127
	₱8,676,697,360	₱2,274,162,700	₱—	₱—	₱—	₱10,950,860,060
Financial liabilities:						
Outstanding chip and other gaming liabilities:						
Outstanding chip liability	₱1,980,712,083	₱—	₱—	₱—	₱—	₱1,980,712,083
Progressive jackpot liability	124,043,580	—	—	—	—	124,043,580
Liability for customer loyalty	120,730,571	—	—	—	—	120,730,571
Other gaming liabilities	36,498,917	—	—	—	—	36,498,917
Payable to contractors and suppliers	1,897,626,616	—	—	—	—	1,897,626,616
Retention payable	893,911,281	—	—	—	—	893,911,281
Customers' deposits	504,392,445	—	—	—	—	504,392,445
Accrued expenses:						
Current portion of accrued rent	197,247,233	—	—	—	—	197,247,233
Accrued interest	30,694,161	—	—	—	—	30,694,161
Others	236,996,582	—	—	—	—	236,996,582
Long-term debt						
Principal	1,082,850,000	2,034,050,000	2,796,050,000	3,615,968,388	8,361,899,510	17,890,817,898
Interest	829,842,004	893,088,694	743,027,483	577,590,885	406,907,296	3,450,456,362
	₱7,935,545,473	₱2,927,138,694	₱3,539,077,483	₱4,193,559,273	₱8,768,806,406	₱27,364,127,329



2012						
	Within 1 Year	1-2 Years	2-3 Years	3-4 Years	More than 4 Years	Total
Financial assets:						
Cash and cash equivalents:						
Cash on hand	₱135,000	₱-	₱-	₱-	₱-	₱135,000
Cash in banks	1,324,729,505	-	-	-	-	1,324,729,505
Temporary cash investments	6,317,339,899	-	-	-	-	6,317,339,899
Debt collateral accounts	194,727,944	-	-	-	-	194,727,944
Receivables - others	4,374,279	-	-	-	-	4,374,279
Security deposit	24,567,839	6,530,860	-	-	-	31,098,699
Restricted cash	42,832,595	2,182,037,610	-	-	-	2,224,870,205
Derivative asset	66,632,635	-	-	-	-	66,632,635
	₱7,975,339,696	₱2,188,568,470	₱-	₱-	₱-	₱10,163,908,166
Financial liabilities:						
Payable to contractors and suppliers	₱1,255,646,218	₱-	₱-	₱-	₱-	₱1,255,646,218
Retention payable	1,619,485,523	-	-	-	-	1,619,485,523
Accrued expenses:						
Current portion of accrued rent	232,087,659	-	-	-	-	232,087,659
Accrued interest	13,755,091	-	-	-	-	13,755,091
Others	124,860,944	-	-	-	-	124,860,944
Long-term debt						
Principal	-	435,050,000	1,036,650,000	1,638,250,000	5,156,050,000	8,266,000,000
Interest	355,805,413	423,760,557	433,997,925	356,796,856	284,195,836	1,854,556,587
	₱3,601,640,848	₱858,810,557	₱1,470,647,925	₱1,995,046,856	₱5,440,245,836	₱13,366,392,022

Credit Risk

Credit risk is the risk that the Group will incur a loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. The Group manages and controls credit risk by setting limits on the amount of risk that the Group is willing to accept for individual counterparties and by monitoring exposures in relation to such limits.

The Group's maximum exposure to credit risk is equal to the carrying amount of its financial instruments. The Group has no concentration of credit risk.

The table below shows the maximum exposure to credit risk for the components of the consolidated statements of financial position as at December 31, 2013 and 2012 for which the net maximum exposure is not equal to the gross maximum exposure.

	Gross Maximum Exposure		Net maximum Exposure*	
	2013	2012	2013	2012
Cash and cash equivalents:				
Cash in banks	₱4,045,614,592	₱1,324,729,505	₱4,024,614,592	₱1,316,729,505
Temporary cash investments	-	6,317,339,899	-	6,316,839,899
Debt collateral accounts	410,360,759	194,727,944	409,360,759	193,727,944
	₱4,455,975,351	₱7,836,797,348	₱4,433,975,351	₱7,827,297,348

* Net financial assets after taking into account insurance on bank deposits.

The following table shows the aging analysis of past due but not impaired receivables per class that the Company held as of December 31, 2013. A financial asset is past due when a counterparty has failed to make a payment when contractually due.

2013						
	Neither Past Due nor Impaired	Past due but not impaired			Allowance	Total
		Less than 30 Days	30 Days and Over	Impaired		
Trade receivables:						
Casino	₱2,563,866,250	₱1,800,000	₱403,797,090	₱-	(₱532,705,442)	₱2,436,757,898
Hotel	35,122,124	6,840,237	7,229,173	-	-	49,191,534
Others	2,146,251	-	-	-	-	2,146,251
	₱2,601,134,625	₱8,640,237	₱411,026,263	₱-	(₱532,705,442)	₱2,488,095,683



As of December 31, 2012, other receivables amounting to ₱4.4 million is neither past due nor impaired.

The evaluation of the credit quality of the Group's financial assets considers the payment history of the counterparties.

- a. High grade - counterparties that have good paying history and are not expected to default in settling their obligations. Credit exposure from these financial assets is considered to be minimal. This normally includes deposits and placements with top tier banks and counterparties with good credit rating.
- b. Standard grade - counterparties for which sufficient credit history has not been established.

As of December 31, 2013 and 2012, all financial assets are viewed by management as 'high grade' considering the collectability of the receivables and the credit history of the counterparties.

Capital Management

The primary objective of the Group's capital management is to ensure that the Group has sufficient funds in order to support its business, pay existing obligations and maximize shareholder value. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To manage or adjust the capital structure, the Group may obtain advances from stockholders, return capital to shareholders or issue new shares.

The Group considers equity attributable to equity holders of the Parent Company as its capital which amounted to ₱16,032.9 million and ₱17,336.6 million as of December 31, 2013 and 2012, respectively.

The Group monitors capital on the basis of debt-to-equity ratio in order to comply with PAGCOR requirement and loan debt covenant (see Notes 13 and 19). Debt-to-equity ratio is calculated as long-term debt over equity.

The Group's strategy is to maintain a sustainable debt-to-equity ratio. The debt-to-equity ratios as of December 31, 2013 and 2012, computed based on the separate financial statements of Sureste and BRHI, are as follows:

- a. Sureste

	2013	2012
Long-term debt	₱15,420,840,975	₱7,558,078,249
Equity	50,487,213,771	26,020,680,656
Debt-to-equity ratio	1:3.3	1:3.4

- b. BRHI

	2013	2012
Long-term debt	₱2,211,748,848	₱618,028,333
Equity	38,102,864,285	17,861,755,187
Debt-to-equity ratio	1:17.2	1:28.9

The Group's loan agreement requires the maintenance of a maximum debt-to-equity ratio of 2.33 times (1:0.43) and 0.61 times (1:1.64) on each testing date, computed based on the separate financial statements of Sureste and BRHI, respectively (see Note 13). On the other hand,



PAGCOR Provisional License requires BRHI to maintain a debt-to-equity ratio of not more than 70:30 (see Note 19). As of December 31, 2013 and 2012, the Group is in compliance with these requirements.

22. Basic/Diluted Earnings (Loss) Per Share on Net Income (Loss) Attributable to Equity Holders of the Parent Company

The following table presents information necessary to calculate earnings (loss) per common share:

	2013	2012	2011
(a) Net income (loss) attributable to equity holders of the Parent Company	(P1,315,089,966)	(P687,938,717)	P2,659,704
(b) Common shares of legal parent effectively owned by PMHI prior to acquisition of legal subsidiary by Bloomberry*	–	5,865,496,700	5,865,496,700
(c) Common shares of legal subsidiary prior to acquisition by legal parent	–	58,654,967	58,654,967
(d) Exchange ratio = (b)/(c)	–	100	100
Common shares of legal subsidiary at beginning of year	–	–	2,500
Weighted average of:			
7,500 shares issued by legal subsidiary in March 2011	–	–	–
58,644,967 shares issued by legal subsidiary in September 2011	–	–	19,548,322
58,654,967 shares of legal subsidiary prior to acquisition by legal parent in February 2012	–	4,887,914	–
(e) Weighted average of legal subsidiary's common shares	–	4,887,914	19,550,822
(f) Weighted average of the equivalent legal parent's shares of legal subsidiary's shares prior to acquisition = (d) x (e)	–	488,791,400	1,955,082,200
Common shares of legal parent at beginning of year	10,589,800,556	–	–
Weighted average of legal parent's shares right after acquisition of the legal subsidiary	–	8,517,520,510	–
1,179,963,700 shares subscribed by PMHI on May 7 equivalent to the Offer Shares	–	786,642,467	–
117,996,300 shares subscribed by PMHI on May 31 equivalent to the Over-allotment Option Shares	–	68,831,175	–
(g) Weighted average of legal parent's shares issued	10,589,800,556	9,372,994,152	–
(h) Weighted average of 5,792,700 stock awards granted on October 1, 2013	1,448,175	–	–
Basic:			
Earnings per common share (a)/(f)	–	–	P0.001
Loss per common share (a)/[(f) + (g)]	(P0.124)	(P0.070)	–
Diluted:			
Earnings per common share (a)/(f)	–	–	P0.001
Loss per common share (a)/[(f) + (g)+(h)]	(P0.124)	(P0.070)	–

* Computed as total consideration of P5,865,496,700 for the acquisition of Sureste's shares divided by Bloomberry's common share par value of P1.



23. Note to Consolidated Statements of Cash Flows

The Group had no material non-cash investing nor non-cash financing activity-related transactions for the years ended December 31, 2013, 2012 and 2011, except for the following:

- a. Grant of stock incentive awards of 5,792,700 shares in October 2013 amounting to ₱10.9 million (see Note 16).
- b. Declaration of Sureste in 2011 of its investment in 899,872,672 shares in MOREI amounting to ₱650.2 million and investment properties with carrying value of ₱37.2 million as property dividends (see Note 16).

24. Segment Information

The results of the Group's reportable business segment for the years ended December 31, 2013, 2012 and 2011 are as follows:

	2013	2012	2011
Consolidated EBITDA	₱1,118,107,241	(₱589,834,710)	(₱8,011,649)
Depreciation and amortization (see Note 17)	(2,039,223,501)	(33,923,083)	(5,443,215)
Interest expense (see Note 13)	(371,030,034)	—	—
Foreign exchange gains (losses) - net	187,466,625	(115,780,579)	(393,846)
Mark-to-market loss	(55,462,138)	(16,838,284)	—
Benefit from (provision for) deferred income tax (see Note 20)	(154,948,159)	68,437,939	16,508,414
Consolidated net income (loss)	(₱1,315,089,966)	(₱687,938,717)	₱2,659,704

The assets and liabilities of the Group's reportable business segment as of December 31, 2013 and 2012 are as follows:

	2013	2012
Assets:		
Segment assets	₱40,346,968,672	₱28,709,855,272
Deferred tax assets - net	—	86,192,911
Total assets	₱40,346,968,672	₱28,796,048,183
Liabilities:		
Segment liabilities	₱24,245,840,507	₱11,459,412,136
Deferred tax liabilities - net	68,215,885	—
Segment liabilities	₱24,314,056,392	₱11,459,412,136



25. Events After Reporting Date

On February 10, 2014, the Group issued ₱11.4 billion corporate notes to fund Phase 1A of Solaire. Sureste and BRHI signed a corporate notes facility agreement with BDO Unibank Inc., BDO Leasing and Finance Inc., BDO Private Bank Inc., China Banking Corp., Robinsons Bank Corp. and United Coconut Planters Bank. BRHI served as an issuer, Sureste as surety and BDO Capital & Investment Corp. as the lead arranger and sole bookrunner for the facility.

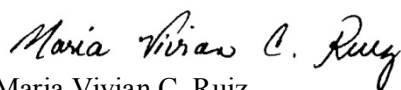


INDEPENDENT AUDITORS' REPORT ON SUPPLEMENTARY SCHEDULES

The Stockholders and the Board of Directors
Bloomberry Resorts Corporation
Unit 601, 6th Floor, Ecoplace Bldg.
Chino Roces Ave. Ext.
Makati City

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Bloomberry Resorts Corporation and its subsidiaries (a subsidiary of Prime Metroline Holdings, Inc.) as at December 31, 2013 and 2012 and for each of the three years in the period ended December 31, 2013, included in this Form 17-A, and have issued our report thereon dated March 26, 2014. Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The schedules listed in the Index to the Consolidated Financial Statements and Supplementary Schedules are the responsibility of the Company's management. These schedules are presented for purposes of complying with Securities Regulation Code Rule 68, As Amended (2011), and are not part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, fairly state, in all material respects, the information required to be set forth therein in relation to the basic financial statements taken as a whole.

SYCIP GORRES VELAYO & CO.



Maria Vivian C. Ruiz

Partner

CPA Certificate No. 83687

SEC Accreditation No. 0073-AR-3 (Group A),

January 18, 2013, valid until January 17, 2016

Tax Identification No. 102-084-744

BIR Accreditation No. 08-001998-47-2012,

April 11, 2012, valid until April 10, 2015

PTR No. 4225211, January 2, 2014, Makati City

March 26, 2014



BLOOMBERRY RESORTS CORPORATION

Schedule A. Financial Assets
December 31, 2013

Name of Issuing Entity and Description of Each Issue	Name of Issuing Entity and Association of Each Issue	Number of Shares or Principal Amount of Bonds and Notes	Amount Shown in the Balance Sheet	Value Based on Market Quotations at Balance Sheet Date	Unrealized mark-to-market gain
		See to Note 21 to the Audited Consolidated Financial Statements			

BLOOMBERRY RESORTS CORPORATION

Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)
For the Year Ended December 31, 2013

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount Written-Off	Others			
Bloomberry Resorts Corporation	497,163	1,028,876	461,734			1,064,305		1,064,305
Sureste Properties, Inc.	822,540	23,619,254	20,249,143			4,192,651		4,192,651
Bloomberry Resorts and Hotels Inc.	30,410,199	62,861,307	71,788,427			21,483,079		21,483,079
	31,729,902	87,509,437	92,499,304			26,740,035		26,740,035

BLOOMBERRY RESORTS CORPORATION

Schedule C. Amounts of Receivable from Related Parties, which are Eliminated During the Consolidation of Financial Statements
For the Year Ended December 31, 2013

Name and Designation of Debtor	Beginning Balance	Additions	Deductions			Current	Non-current	Ending Balance
			Amount Collected	Amount Written-Off	Others			
Bloomberry Resorts and Hotels Inc.	-	2,196,499,432				2,196,499,432		2,196,499,432
	-	2,196,499,432				2,196,499,432		2,196,499,432

BLOOMBERRY RESORTS CORPORATION

Schedule E. Long-term Debt
December 31, 2013

Name of Issuer and Type of Obligation	Amount Authorized by Indenture	Amount Shown as Current	Amount Shown as Long-term	Remarks
Sureste – Philippine peso-denominated term loans	₱12,350,000,000	970,350,000	₱11,379,650,000	See Note 13 to the Audited Consolidated Financial Statements
Sureste – Philippine peso-denominated term loans	14,300,000,000	-	3,290,817,898	
BRHI – Philippine peso-denominated term loans	2,250,000,000	112,500,000	2,137,500,000	
Long-term Debt	28,900,000,000	1,082,850,000	16,807,967,898	
Less: Unamortized Debt Issue Cost	-	63,419,763	194,808,312	
	₱28,900,000,000	1,019,430,237	₱16,613,159,586	

BLOOMBERRY RESORTS CORPORATION

Schedule F. Indebtedness to Related Parties (Long-term Loans from Related Companies)
December 31, 2013

Name of Related Party	Beginning Balance	Ending Balance
<div>NONE</div>		

BLOOMBERRY RESORTS CORPORATION

Schedule G. Guarantees of Securities of Other Issuers
December 31, 2013

Name of Issuing Entity of Securities Guaranteed by the Company for which Statement is Filed	Title of Issue of Each Class of Securities Guaranteed	Total Amount Guaranteed and Outstanding	Amount Owned by the Company for which Statement is Filed	Nature of Guarantee
		NONE		

BLOOMBERRY RESORTS CORPORATION

Schedule H. Capital Stock
December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Share Reserved for Options, Warrants, Conversions and Other Rights	Number of Shares Held By		
				Subsidiaries	Directors, Officers and Employees	Others
Common Shares	15,000,000,000	10,589,800,556	-	-	56,962,801	10,532,837,755

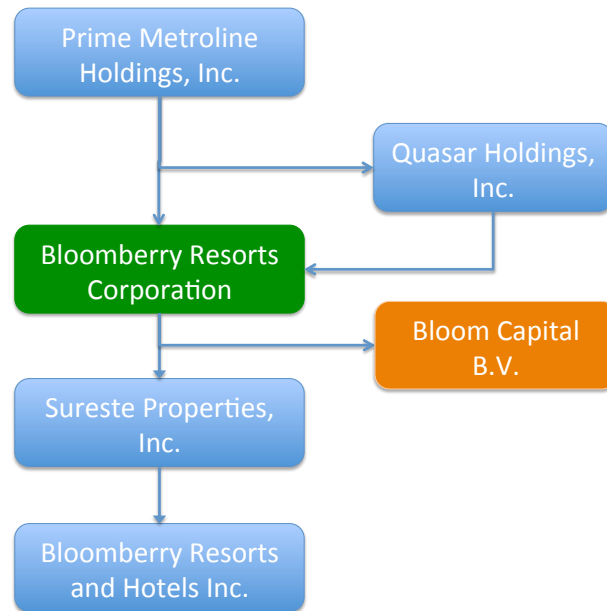
BLOOMBERRY RESORTS CORPORATION

Schedule I. Retained Earnings Available for Dividend Declaration
December 31, 2013

	Amount
Unappropriated retained earnings, beginning	P61,079,408
Adjustments: (see adjustments in previous year's Reconciliation)	-
Unappropriated retained earnings, as adjusted, beginning	61,079,408
Add: Net income (loss) during the year	(22,374,322)
Unappropriated retained earnings, as adjusted, ending	P38,705,086

BLOOMBERRY RESORTS CORPORATION

Schedule J. Map of Relationships
December 31, 2013



BLOOMBERRY RESORTS CORPORATION

Schedule K. Proceeds of Placing and Subscription Transaction (1,179,963,700 Offer Shares and Exercise of 117,996,300 Overallotment Shares at ₱7.50 Offer Price)
December 31, 2013

	Offering Circular	Actual
Gross Proceeds	₱9,734,700,000	₱9,734,700,000
Net Proceeds	9,280,288,691	9,270,166,838
Use of Net Proceeds:		
Investment in Sureste Properties, Inc.		9,270,166,838
Balance as of December 31, 2013		₱-